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Bi-weekly Bulletin

November 30, 1999

Vol. 12 No. 22

BARLEY: SITUATION AND OUTLOOK FOR 1999-00

FEED BARLEY

International feed barley prices have strengthened in 1999-00 compared to corn, and are expected to remain relatively strong because of tight supplies and strong demand. Due to low exportable supplies in Australia and Canada, the European Union (EU) is the only major exporter of feed barley and this is expected to reduce EU export subsidies and support feed barley prices.

Coarse Grains

The market fundamentals in the world coarse grain market for 1999-00 are not significantly different from 1998-99. Coarse grain supplies and utilization are forecast by USDA to be similar to 1998-99 and carry-out stocks are expected to remain historically high.

US corn production has exceeded 9 billion bushels (bln bu) over the last 4 years, aided by good weather, and created a burdensome supply situation. For 1999-00, USDA forecasts that, although US corn production is expected to decrease from 9.76 bln bu to 9.54 bln bu, US corn supplies are expected to increase, due to a 37 percent increase in carry-in stocks. Higher domestic use will more than offset lower exports. Although total use is expected to increase slightly, carry-out stocks are forecast to increase by 13 percent to the burdensome level of 2.02 bln bu. The US on-farm corn price is forecast at US\$1.60-2.00 a bushel (/bu) in 1999-00 compared to US\$1.95 /bu in 1998-99.

Barley

World barley **production** is estimated at 132 Mt for 1999-00 compared to 137 Mt for 1998-99. In contrast to corn, the world **supply** of barley for 1999-00 is forecast by USDA to decrease sharply for the second consecutive year. Drought has reduced exportable supplies in Turkey and Russia. **Demand** is expected to remain strong, above production, so that **carry-out** stocks and the stocks-to-use ratio are expected to continue to decrease. World barley **trade** is estimated at about 21.6 Mt with 12.7 Mt of feed barley, 4.1 Mt of malting barley and 4.8 Mt of malt (in grain equivalent).

MAJOR EXPORTERS

In the **EU**, barley **production** is estimated at about 49 Mt compared to 52 Mt in 1998-99 due to lower seeded area. Barley **supplies** decrease only slightly due to the large **carry-in** stocks, about half of which is in intervention.

EU domestic use of feed barley is forecast by USDA to decrease for the third consecutive year due to competition with feed wheat which cannot enter intervention. Feed barley **exports** are expected to increase from 7.2 Mt to 8.3 Mt, with the Middle East and North Africa the primary destination due to their proximity to the EU. **Carry-out** stocks are expected to decrease but still remain historically high. Intervention stocks are expected to decrease significantly because only small quantities are being sold to intervention and the EU is focussing on reducing these stocks.

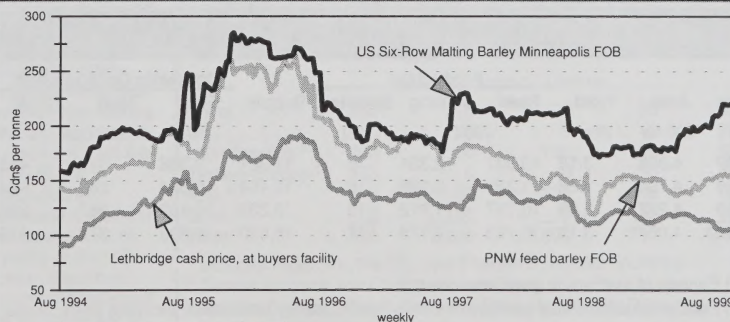
For **Australia**, barley **production** is forecast by USDA to decrease by 13 percent from 1998-99 to 4.7 Mt due to lower area seeded. The total **supply** of barley in Australia is expected to be 19 percent lower than in

1998-99. Total **domestic use** is forecast by USDA to increase. Total exports are forecast to decrease with lower feed barley **exports** and increased exports of malting barley.

In **Canada**, barley **production** increased slightly to 13 Mt and **carry-in** stocks also increased leading to a three percent increase in supplies. While about 60 percent of barley area is seeded to malting varieties, about 80/20 percent of the total barley produced in Canada enters the feed/malting channels.

Feed barley production is forecast at 10.8 Mt. Feed **use** of barley in Western Canada is expected to decrease slightly from 1998-99 due to lower hog and cattle inventories. The most important characteristics for feed purposes are bushel weight, moisture content, dockage and some qualitative factors such as appearance and plumpness. With the ever increasing amount used domestically rather than exported, an increase in direct movement from farm to feedlot is occurring to avoid unnecessary elevation costs.

BARLEY PRICES: FEED AND MALTING



Between 1996-97 and 1998-99, only about 20 percent of barley used for domestic feed was delivered to a licenced facility.

Barley for **export** has to go through a licenced facility to receive official Canadian Grain Commission grade certification as feed or malt. Feed barley exports are forecast to remain historically low at 0.4 Mt. As stronger international feed barley prices, which are reflected in the Canadian Wheat Board (CWB) Pool Return Outlook (PRO), approach domestic feed barley prices at many points in Western Canada, feed barley deliveries to the CWB are expected to increase.

Saudi Arabia and Iran have historically been major markets for Canadian feed barley, but the strong domestic market in Western Canada has significantly decreased exportable supplies in Canada in the last two years. Japan is expected to be the number one market for Canadian feed barley because they remain the highest priced market in the world. The CWB has an agreement to supply 0.2 Mt of feed barley to the Japanese Food Agency. This is a significant decline from recent years. Between 1985-86 and 1994-95 Canada exported an annual average of 0.88 Mt of feed barley to Japan.

Carry-out stocks are expected to increase from 1998-99 to 2.8 Mt compared to the five-year average of 2.3 Mt.

MAJOR IMPORTERS

The Middle East and North Africa are expected to import a total of 9.2 Mt in 1999-00 or about 75 percent of world feed barley imports. In the **Middle East**, (Saudi Arabia, Iran, Israel, Jordan, Turkey, and others) barley production is about 20 percent below 1998-99 due to drought which is forecast to increase imports by

about five percent. Over 40 percent of consumption in this region is imported.

Barley is the preferred feed for sheep, goats and camels. Sheep are able to utilize whole barley rather than processed barley, which facilitates distribution. Further, barley has a higher fibre content than corn. In addition, Middle East consumers prefer meat produced with barley.

In **North Africa** (Algeria, Egypt, Libya, Morocco and Tunisia) barley production is about 18 percent below 1998-99 due mostly to a drought-reduced crop in Morocco. Regional barley supplies are projected to decrease by about 10 percent. Imports are not expected to increase, but to be maintained at last year's record level due to a decrease in consumption.

Japan has introduced a simultaneous buy-sell policy for the purchase of a portion of Japanese feed barley requirements. For about 25 percent of feed barley imports, end users tender directly with suppliers rather than through the government run Japanese Food Agency. The tender is open to any supplier, not just the three traditional suppliers (Canada, the US, and Australia). Under the old system there were few links between Japanese barley producers and users and the costs to users were too high. The intent is to make purchases more transparent in an effort to reduce costs and promote domestic production.

For 1999-00, Japanese barley production is estimated at 160,000 tonnes, with consumption at 1.6 Mt. Feed barley imports are forecast at 1.35 Mt, unchanged from 1998-99, of which 0.65 Mt is expected to be from Australia, 0.45 Mt from the US, and 0.25 Mt from Canada.

PRICE OUTLOOK

The Pacific Northwest (PNW) feed barley export price is expected to average about US\$105 a tonne (/t) for 1999-00 versus US\$96/t for 1998-99. Strong import demand for feed barley and limited export supplies available (other than from the EU) have supported offshore feed barley prices. This has allowed the EU to maintain a strong export program while at the same time reducing its export subsidies. To-date for 1999-00 (July-June), EU subsidies on free market barley have averaged US\$35/t on 1.6 Mt of free market barley versus about US\$65/t on 0.4 Mt at this same time last year. Including intervention barley, which the EU is also selling at a brisk pace, the EU has exported about 4.5 Mt of barley in the first four months of 1999-00. EU exports have decreased in recent weeks which has softened EU export prices. The current EU export price (free on board (FOB) France) is US\$100/t, compared to US\$68/t one year ago.

The mid-point of the CWB November PRO for feed barley is \$135/t in-store Vancouver/St. Lawrence (l/S VC/SL) compared to the forecast mid-point of the off-Board feed barley price (l/S Lethbridge) of \$110/t. Average CWB on-farm returns for Manitoba, Saskatchewan, and Alberta are estimated at about \$75, \$85, and \$90/t compared to \$80, \$85, and \$90/t from the off-Board market. Higher returns from the off-Board market are expected to attract deliveries relative to the CWB, but with 1999-00 Canadian barley carry-out stocks remaining above the five-year average carry-out, there is some downside potential for off-Board feed barley prices, and this could increase deliveries to the CWB.

CANADA: BARLEY SUPPLY AND DISPOSITION

| Crop Year (Aug.-Jul.) | Area '000 ha | Yield t/ha | Production | | | Supply | Domestic Consumption | | | Exports | | | Carry-out Stocks |
|--------------------------|-----------------|---------------|------------|---------|----------|--------|----------------------|------|-------|---------|---------|------|---------------------|
| | | | Feed | Malting | Selected | | Feed | Malt | Other | Feed | Malting | Malt | |
| | | | '000 t | | (%) | | | | | '000 t | | | |
| 1996-1997 | 4,888 | 3.18 | 13,231 | 2,331 | 15 | 17,321 | 9,568 | 372 | 456 | 2,047 | 1,393 | 566 | 2,919 |
| 1997-1998 | 4,700 | 2.88 | 11,331 | 2,196 | 16 | 16,464 | 10,544 | 268 | 414 | 851 | 1,276 | 652 | 2,459 |
| 1998-1999 | 4,272 | 2.98 | 10,797 | 1,912 | 15 | 15,230 | 10,102 | 367 | 398 | 132 | 960 | 585 | 2,687 |
| 1999-2000f | 4,064 | 3.19 | 10,793 | 2,175 | 17 | 15,680 | 9,890 | 375 | 415 | 400 | 1,200 | 600 | 2,800 |

Notes: 1) Exports of malt are in grain equivalent.

2) Feed production= total production minus malting barley production; includes seed, waste & dockage.

3) Production of malting barley equals domestic use of malt plus malting barley exports plus malt exports

4) Other domestic use equals total domestic use minus domestic use of feed and malting

f: AAFC November 1999 forecast

Source: Statistics Canada and AAFC

MALTING BARLEY

World malting barley prices are expected to increase in 1999-00 due to tight supplies in the major exporting countries and increasing demand, especially in Asia and Latin America. Canada's share of the market is expected to increase. Malting barley prices in Canada are expected to increase from 1998-99 but remain historically low.

After the best quality barley is diverted to the brewing industry, the remainder is fed to livestock as 'feed barley' or stored. The proportion of barley selected for malting depends on demand and the quality of the barley crop.

World demand for malting barley is expected to increase in 1999-00. Drought has increased demand in Turkey. Russia is reported to be importing higher than expected amounts of malting barley because they had a poor malting barley crop and they have imposed high import duties on beer. Demand from Latin America is expected to be strong due to reduced production.

The **world supply** of malting barley is expected to decrease in 1999-00 due to the general decrease in world barley production. Canada, Australia, and the EU account for about 75 percent of world malting barley exports, and all have smaller barley crops this year. The tight world malting barley market is expected to support prices. Malting barley **trade** is expected to increase slightly to 4.6 Mt of which about 0.8 Mt are six-row, mostly imported by the US, and the remainder is two-row.

MAJOR EXPORTERS

The **Australian** crop is being harvested now, so quality remains uncertain, but in spite of a 13 percent decrease in total barley production, supplies of malting barley are expected to increase because of a shift in area seeded to malting varieties due to the premium for malting barley. However, **exports** are forecast at 1.4 Mt, an increase of 0.1 Mt from 1998-99. Australia has a competitive advantage for exports into Asia, China in particular, due to geographical proximity which reduces relative freight costs and facilitates business transactions. In addition, the production of both barley and malt in Australia occurs closer to the coast than in Canada, reducing the transportation costs of exporting. Virtually all Australian barley is two-row variety, which is an additional advantage into the Asian market. Exports of malt are forecast at 0.5 Mt.

The **EU** is the third largest exporter of malting barley after Australia and Canada. The protein content of the EU malting barley crop for 1999-00 is lower than previously expected and the amount of surplus malting barley in the EU is now small. In the UK, significant quantities have been sold to the domestic feed market due to high transport costs and inadequate storage which has resulted in reduced germination and splits. One industry

source is estimating that demand will outstrip EU supply by about 0.3-0.4 Mt.

In **Canada**, the availability of malting barley was affected by poor weather in September and a late harvest and an increase in area seeded to feed varieties compared to previous years. This was likely due to the low premium of malting barley over feed barley in 1998-99. In turn, this was due to strong off-Board feed barley prices and the lowest prices for malting barley from the CWB since 1993-94 due to high EU subsidies. However, the amount of two-row malting barley selected this year is expected to increase from 1998-99. Although 60 percent of the area seeded to barley consists of malting varieties, only about 17 percent of barley production is expected to be selected for malting.

Two-row varieties now account for about 70 percent of the malting barley grown in Western Canada. This is due to increasing international exports of two-row malting barley, and development of new two-row barley varieties with improved malting and agronomic performance. Two-row malting barley produces more malt per bushel for maltsters due to plumper kernels, but it is more prone to disease for barley producers. Alberta, Saskatchewan, and Manitoba plant about 90, 70, and 20 percent two-row varieties. Production of six-row malting barley is significantly higher in Manitoba due to proximity to the Minneapolis market, proximity to the Canadian brewers who use six-row barley, and to Manitoba's growing conditions. The largest buyer of Canadian malting barley is domestic maltsters who produce malt for domestic consumption and for export.

Exports of malting barley are forecast to increase to 1.2 Mt from 0.96 Mt in 1998-99. China and the US are Canada's main markets for two-row and six-row malting barley, respectively. Export volumes into the US are expected to increase due to the reduced size and quality of the US crop. Exports to China are expected to increase due to increased beer consumption.

MAJOR IMPORTERS

For **China**, import demand for malting barley is expected to increase to about 1.8 Mt. For the first 8 months of 1999, China imported 1.3 Mt of barley versus 0.9 Mt for the same period in 1998. Imports decreased in 1998-99 due to a build up of supplies and tight credit from the economic downturn in Asia. China's major suppliers have been Australia and Canada, but the EU could take a larger share of the Chinese market this year if buyers lower the specification on quality.

Per capita beer consumption in China is 20 litres, versus 140 litres in Germany, indicating strong growth potential. An increase in per capita consumption to 25 litres would require an additional 1.2 Mt of malting barley.

China accounts for about 50 percent of Canadian two-row malting barley exports. Canada is expected to export about 0.3 Mt of two-row malting barley to China in 1999-00 versus 0.275 Mt and 0.55 Mt in 1998-99 and 1997-98, respectively.

In the **US**, barley production is concentrated in five states that border Canada: North Dakota, Idaho, Montana, Washington, and Minnesota which produce 80 percent of US barley production and 100 percent of US malting barley production. Minnesota and North Dakota seed predominantly six-row varieties while Montana, Idaho and Washington seed two-row varieties. The higher disease tolerance of six-row varieties makes them preferred to two-row varieties in the Red River Valley where there is high humidity. Contracting by brewers (Anheuser

WORLD: MALTING BARLEY 1999-2000 TRADE

| | EU | Canada | Australia | Other ^{1/} | Total |
|------------------------------|---------------------------|--------------|--------------|---------------------|--------------|
| |thousand tonnes..... | | | | |
| China | 350 | 300 | 1,100 | 50 | 1,800 |
| US | 0 | 700 | 0 | 0 | 700 |
| Latin America ^{2/} | 300 | 50 | 100 | 100 | 550 |
| Eastern Europe ^{3/} | 150 | 0 | 0 | 150 | 300 |
| Asia ^{4/} | 0 | 50 | 200 | 350 | 600 |
| Other ^{5/} | 0 | 100 | 0 | 50 | 150 |
| Total | 800 | 1,200 | 1,400 | 700 | 4,100 |

^{1/} includes Argentina, the US, and Eastern European countries.

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WORLD: MALTING BARLEY 1999-2000 TRADE

| | EU | Canada | Australia | Other ^{1/} | Total |
|------------------------------|---------------------------|--------------|--------------|---------------------|--------------|
| |thousand tonnes..... | | | | |
| China | 350 | 300 | 1,100 | 50 | 1,800 |
| US | 0 | 700 | 0 | 0 | 700 |
| Latin America ^{2/} | 300 | 50 | 100 | 100 | 550 |
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| Total | 800 | 1,200 | 1,400 | 700 | 4,100 |

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^{5/} includes Middle East, Russia, South Africa, and Oceania.

Source: USDA, International Grains Council, Statistics Canada, AAFIC

Busch and Coors) has had a significant impact on barley varieties planted in Montana. Barley crops in Minnesota and North Dakota were affected by late planting and untimely rains later in the season. Sprouting and weathering damage significantly reduced production of six-row malting barley. In the western states, the two-row crop suffered from dryness and the crop is expected to be just average.

PRICE OUTLOOK

Higher prices are expected in the second half of the crop year based on the tighter supply-demand situation for malting barley.

The CWB November PRO for two-row and six-row malting barley are \$174-194/t and \$171-191/t, respectively. These are higher

than 1998-99 but still significantly lower than two to three years ago. The expected price spread between the two-row and six-row malting barley is only \$3/t in 1999-00, the lowest since 1981-82 and compared to an average of \$18/t throughout the 1990s. However, the two-row price is expected to increase during the crop year due to strong demand and low supplies.

**For more information
please contact:**

Duncan McKinnon
Coarse Grains Analyst
Phone: (204) 983-8467
E-mail: mckinnond@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

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Telephone: (204) 983-8473
Fax: (204) 983-5524

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WORLD: BARLEY PRODUCTION AND TRADE

| | | Production | | | | Exports | | | | Imports | | | |
|--------------|------------|-----------------------------|---------|---------|--------|---|---------|-------|--------|---------|---------|-------|--------|
| | | (local marketing year) | | | | {crop year (Oct.-Sep.) except Canada (Aug.-Jul.)} | | | | | | | |
| | | Feed | Malting | Total | Malt | Feed | Malting | Malt | Total | Feed | Malting | Malt | Total |
| | | thousand tonnes | | | | | | | | | | | |
| Canada | 1997-1998 | 11,331 | 2,196 | 13,527 | 920 | 851 | 1,276 | 652 | 2,779 | 28 | - | - | 28 |
| | 1998-1999 | 10,797 | 1,912 | 12,709 | 952 | 132 | 960 | 585 | 1,677 | 62 | - | - | 62 |
| | 1999-2000f | 10,793 | 2,175 | 12,968 | 975 | 400 | 1,200 | 600 | 2,200 | 25 | - | - | 25 |
| Australia | 1997-1998 | 4,201 | 2,281 | 6,482 | 749 | 1,300 | 1,532 | 499 | 3,331 | - | - | - | - |
| | 1998-1999 | 3,283 | 2,092 | 5,375 | 792 | 2,800 | 1,300 | 532 | 4,632 | - | - | - | - |
| | 1999-2000f | 2,530 | 2,170 | 4,700 | 770 | 1,400 | 1,400 | 500 | 3,300 | - | - | - | - |
| EU | 1997-1998 | 45,567 | 7,041 | 52,608 | 6,650 | 2,356 | 500 | 2,750 | 5,606 | - | 109 | - | 109 |
| | 1998-1999 | 44,752 | 7,300 | 52,052 | 6,750 | 7,150 | 650 | 2,800 | 10,600 | - | 100 | - | 100 |
| | 1999-2000f | 41,420 | 7,600 | 49,020 | 6,900 | 8,200 | 800 | 2,900 | 11,900 | - | 100 | - | 100 |
| Middle East | 1997-1998 | 12,087 | 0 | 12,087 | 100 | 1,501 | - | - | 1,501 | 5,186 | 100 | 100 | 5,386 |
| | 1998-1999 | 12,615 | 0 | 12,615 | 110 | 1,200 | - | - | 1,200 | 6,965 | 110 | 100 | 7,175 |
| | 1999-2000f | 10,039 | 0 | 10,039 | 125 | 500 | - | - | 500 | 7,200 | 125 | 100 | 7,425 |
| US | 1997-1998 | 5,370 | 2,465 | 7,835 | 3,090 | 966 | 100 | 200 | 1,266 | 23 | 725 | 60 | 808 |
| | 1998-1999 | 5,052 | 2,615 | 7,667 | 3,115 | 475 | 100 | 200 | 775 | 25 | 600 | 60 | 685 |
| | 1999-2000f | 3,627 | 2,510 | 6,137 | 3,110 | 500 | 100 | 200 | 800 | 0 | 700 | 90 | 790 |
| China | 1997-1998 | 2,050 | 1,950 | 4,000 | 2,950 | - | - | - | - | 126 | 1,000 | 50 | 1,176 |
| | 1998-1999 | 2,050 | 1,450 | 3,500 | 3,050 | - | - | - | - | 450 | 1,600 | 50 | 2,100 |
| | 1999-2000f | 1,650 | 1,350 | 3,000 | 3,150 | - | - | - | - | 450 | 1,800 | 50 | 2,300 |
| Japan | 1997-1998 | 168 | 25 | 193 | 75 | - | - | - | - | 1,399 | 50 | 825 | 2,274 |
| | 1998-1999 | 94 | 50 | 144 | 100 | - | - | - | - | 1,350 | 50 | 825 | 2,225 |
| | 1999-2000f | 110 | 50 | 160 | 100 | - | - | - | - | 1,350 | 50 | 850 | 2,250 |
| North Africa | 1997-1998 | 1,954 | 15 | 1,969 | 40 | - | - | - | - | 1,144 | 25 | 25 | 1,194 |
| | 1998-1999 | 3,225 | 20 | 3,245 | 45 | - | - | - | - | 2,375 | 25 | 25 | 2,425 |
| | 1999-2000f | 2,645 | 25 | 2,670 | 50 | - | - | - | - | 2,025 | 25 | 25 | 2,075 |
| Other | 1997-1998 | 54,066 | 1,827 | 55,893 | 3,226 | 2,177 | 392 | 599 | 3,168 | 1,245 | 1,791 | 3,640 | 6,676 |
| | 1998-1999 | 37,417 | 2,462 | 39,879 | 2,986 | 1,148 | 990 | 583 | 2,721 | 1,678 | 1,515 | 3,640 | 6,833 |
| | 1999-2000f | 40,872 | 2,120 | 42,992 | 2,820 | 1,670 | 600 | 600 | 2,870 | 1,620 | 1,300 | 3,685 | 6,605 |
| World | 1997-1998 | 136,794 | 17,800 | 154,594 | 17,800 | 9,151 | 3,800 | 4,700 | 17,651 | 9,151 | 3,800 | 4,700 | 17,651 |
| | 1998-1999 | 119,285 | 17,900 | 137,185 | 17,900 | 12,905 | 4,000 | 4,700 | 21,605 | 12,905 | 4,000 | 4,700 | 21,605 |
| | 1999-2000f | 113,686 | 18,000 | 131,686 | 18,000 | 12,670 | 4,100 | 4,800 | 21,570 | 12,670 | 4,100 | 4,800 | 21,570 |

Notes:

- 1) Feed production= total production minus malting barley production; includes seed, waste & dockage.
- 2) Malting barley/malt production equals malt (in grain equivalent) required to meet domestic beer consumption plus NET trade of malting barley/malt.
- 3) Middle East: Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates, and Yemen. Although the Middle East is dominantly Muslim, Gauger expects Turkey to import 0.1 Mt of malting barley indicating some beer is produced.
- 4) North Africa: Algeria, Egypt, Libya, Morocco and Tunisia.
- 5) Other malt exporters include Argentina, Czech Republic, Slovakia, Uruguay and Chile.
- 6) World malting barley production is equal to world malt production (in grain equivalent), which is equal to malt (in grain equivalent) required to meet beer consumption, which is estimated by country and for the world from data presented at International Grains Council Conference in 1997.

f: AAFC November 1999 forecast

Source: USDA, International Grains Council, Statistics Canada, AAFC estimates.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday November 8th, 1999

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | GLUTEN FEED | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-------------|--------------|--------------|
| Vancouver B.C. | This week | FOB | (1) 130.86 | N/A | 129.56 | (3) 144.00 | | 285.50 | 180.00 | 112.00 | 310.00 | (4) 600.00 | 410.00 | | | | 360.00 |
| | Week ago | | (1) 130.36 | N/A | 131.56 | (3) 146.00 | | 277.50 | 178.00 | 112.00 | 310.00 | (4) 600.00 | 410.00 | | | | 360.00 |
| Calgary | This week | FOB | (1) 107.70 | 95.00 | 106.40 | (3) 136.00 | | 280.25 | 154.00 | | 265.00 | (4) 650.00 | 530.00 | | | | 355.00 |
| Alta | Week ago | | (1) 107.20 | 95.00 | 108.40 | (3) 133.00 | | 269.00 | 146.00 | | 265.00 | (4) 650.00 | 530.00 | | | | 385.00 |
| Saskatoon | This week | FOB | (1) 103.50 | 100.00 | 94.50 | (3) 120.00 | | 272.25 | 160.00 | | 265.00 | (4) N/A | 530.00 | | | | 385.00 |
| Sask. | Week ago | | (1) 103.50 | 100.00 | 94.50 | (3) 115.00 | | 261.00 | 145.00 | | 265.00 | (4) N/A | 530.00 | | | | 385.00 |
| Melfort | This week | FOB | (1) 108.00 | 110.00 | 96.60 | | | | | | | | | | | | |
| Sask. | Week ago | | (1) 110.00 | 105.00 | 98.60 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | (1) 97.35 | 96.89 | 94.45 | (3) 105.00 | | 258.25 | 160.00 | | 270.00 | (4) 875.00 | 430.00 | | | | 320.00 |
| Man. | Week ago | | (1) 98.65 | 90.61 | 96.45 | (3) 104.00 | | 246.50 | 145.00 | | 275.00 | (4) 875.00 | 430.00 | | | | 320.00 |
| Thunder Bay | This week | Track | (1) 123.00 | 134.50 | 110.10 | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 123.50 | 129.50 | 112.60 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | (3) 115.18 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | (3) 110.38 | | | | | | | | | | | |
| Bay Ports | This week | In-store | (1) 141.40 | 77.00 | 126.85 | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 141.90 | 78.30 | 130.40 | | | | | | | | | | | | |
| Chatham | This week | Track | | | | (2) 114.56 | | | | | | | | | | | |
| Ont. | Week ago | | | | | (2) 110.03 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 303.00 | (5) N/A | 535.00 | 450.00 | 124.00 | 198.00 | 360.00 |
| Ont. | Week ago | | | | | | FOB | 267.53 | 162.81 | | 314.00 | (5) N/A | 535.00 | 465.00 | 124.00 | 198.00 | 345.00 |
| Hamilton | This week | N/A | | | | | | 257.06 | 155.64 | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Eastern | This week | FOB | | | | (2) 106.38 | | | | | | | | 440.00 | 116.00 | | |
| Ontario | Week ago | | | | | (2) 102.58 | | | | | | | | 455.00 | 116.00 | | |
| London | This week | FOB | | | | | | | | | | | | 440.00 | | | |
| Ont. | Week ago | | | | | | | | | 76.00 | | | | 440.00 | | | |
| Port Colborne | This week | FOB | | | | | | | | 77.50 | | | | 455.00 | | | |
| Ont. | Week ago | | | | | | | | | | | | | 440.00 | 116.00 | | |
| Cardinal | This week | FOB | | | | | | | | | | | | 455.00 | 116.00 | | |
| Ont. | Week ago | | | | | | | | | | | | | 450.00 | 126.00 | 210.00 | 350.00 |
| Montreal | This week | | | | | | FOB | 282.82 | 168.16 | 111.00 | 303.00 | (5) 825.00 | 408.00 | 450.00 | 126.00 | 210.00 | 350.00 |
| Que. | Week ago | | | | | | | 276.62 | 168.44 | | 314.00 | (5) 825.00 | 408.00 | 465.00 | 126.00 | | |
| Trois-Riv. | This week | In-store | (1) 151.00 | | 134.10 | (2) 133.06 | | | | | | | | | | | |
| Que. | Week ago | | (1) 152.00 | | 135.60 | (2) 132.47 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | (1) 147.00 | 122.50 | 131.33 | (2) 123.22 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | (1) 146.75 | 122.50 | 132.45 | (2) 120.27 | | | | | | | | | | | |
| Quebec | This week | In-store | (1) 147.67 | | 136.43 | (2) 132.67 | FOB | 286.63 | | | | | | | | | |
| Que. | Week ago | | (1) 149.33 | | 138.60 | (2) 132.08 | | 280.94 | | | | | | | | | |
| Truro | This week | Track | (1) 172.62 | 196.57 | 162.78 | (2) 159.22 | FOB | 313.75 | 197.13 | | 337.50 | | 523.00 | | | | 377.05 |
| N.S. | Week ago | | (1) 173.68 | 196.57 | 163.24 | (2) 157.25 | | 306.53 | 193.61 | | 348.50 | | 523.00 | | | | 377.05 |
| Truro | This week | Water | (1) 168.00 | | 155.65 | 160.15 | | | | | | | | | | | |
| N.S. | Week ago | & Truck | (1) 168.35 | | 159.20 | | | | | | | | | | | | |
| Halifax | This week | In-store | (1) 156.35 | | 143.00 | 148.05 | FOB | | | 255.25 | | | | | | | |
| N.S. | Week ago | | (1) 156.70 | | N/A | 147.10 | | | | 255.25 | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section:

Contact: Helene Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.4685 as of November 8, 1999

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices, based on an average of prices quoted by the trade. Bulk basis, Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein, Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal

| B. CASH PRICES AND REPLACEMENT VALUES | | | | As of Monday November 8th, 1999 | | | |
|---------------------------------------|--------------------------|-------------|--------|---------------------------------|----------|-----------|----------|
| PRAIRIE GRAINS | | | | | | | |
| SELECTED POINT | | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
| From: Thunder Bay | Track | WHEAT | 123.00 | 123.50 | | 124.00 | 142.90 |
| | | OATS | 134.50 | 129.50 | | 127.00 | N/A |
| | | BARLEY | 110.10 | 112.60 | | 114.70 | 121.00 |
| To: Bayports, Ont. | In-store | WHEAT | 144.56 | 145.06 | 1. | 145.56 | 164.46 |
| | | OATS | 163.61 | 158.61 | 1. | 156.11 | N/A |
| | | BARLEY | 136.85 | 139.35 | 1. | 141.45 | 147.75 |
| Montreal, Que. | In-store | WHEAT | 149.63 | 150.13 | 1. | 150.63 | 169.53 |
| | | OATS | 172.76 | 167.76 | 1. | 165.26 | N/A |
| | | BARLEY | 141.90 | 144.40 | 1. | 146.50 | 152.80 |
| Moncton, N.B | Truck via Halifax | WHEAT | 170.88 | 171.38 | | 171.88 | 190.78 |
| | | OATS | 197.02 | 192.02 | | 189.52 | N/A |
| | | BARLEY | 163.43 | 165.93 | | 168.03 | 174.33 |
| Truro, N.S. | Truck via Halifax | WHEAT | 168.38 | 168.88 | | 169.38 | 188.28 |
| | | OATS | 194.52 | 189.52 | | 187.02 | N/A |
| | | BARLEY | 160.93 | 163.43 | | 165.53 | 171.83 |
| Halifax, N.S. | In-store | WHEAT | 158.19 | 158.69 | 1. | 159.19 | 178.09 |
| | | OATS | 182.58 | 177.58 | 1. | 175.08 | N/A |
| | | BARLEY | 149.94 | 152.44 | 1. | 154.54 | 160.84 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 217.93 | 218.43 | | 218.93 | 237.83 |
| | | OATS | 240.15 | 235.15 | | 232.65 | N/A |
| | | BARLEY | 212.77 | 215.27 | | 217.37 | 223.67 |
| From: Melfort, Sask. | FOB | WHEAT | 108.00 | 110.00 | | 111.50 | 125.50 |
| | | OATS | 110.00 | 105.00 | | 102.50 | 115.00 |
| | | BARLEY | 96.60 | 98.60 | | 101.70 | 110.50 |
| To: Bayports, Ont. | Track | WHEAT | 164.10 | 166.10 | | 167.60 | 181.60 |
| | | OATS | 175.37 | 170.37 | | 167.87 | 180.37 |
| | | BARLEY | 153.40 | 155.40 | | 158.50 | 167.30 |
| Montreal, Que. | Track | WHEAT | 164.86 | 166.86 | | 168.36 | 182.36 |
| | | OATS | 176.27 | 171.27 | | 168.77 | 181.27 |
| | | BARLEY | 154.22 | 156.22 | | 159.32 | 168.12 |
| Moncton, N.B. | Track | WHEAT | 186.03 | 188.03 | | 189.53 | 203.53 |
| | | OATS | 199.34 | 194.34 | | 191.84 | 204.34 |
| | | BARLEY | 175.78 | 177.78 | | 180.88 | 189.68 |
| Truro, N.S. | Track | WHEAT | 186.20 | 188.20 | | 189.70 | 203.70 |
| | | OATS | 202.78 | 197.78 | | 195.28 | 207.78 |
| | | BARLEY | 176.79 | 178.79 | | 181.89 | 190.69 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 229.53 | 231.53 | | 233.03 | 247.03 |
| | | OATS | 247.69 | 242.69 | | 240.19 | 252.69 |
| | | BARLEY | 225.09 | 227.09 | | 230.19 | 238.99 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 115.18 | 110.38 | | 106.61 | 125.26 |
| To: Montreal, Que. (US Corn) | In-store | | 133.18 | 128.38 | 1. | 124.61 | 143.26 |
| From: Saginaw (Mi) | Track | | 110.58 | 108.64 | | 107.19 | 122.24 |
| To: Montreal, Que. (US Corn) | Track | | 142.88 | 140.94 | | 139.49 | 154.54 |
| From: Chatham | Track | | 114.56 | 110.03 | | 108.95 | 112.89 |
| To: Montreal, Que. | Track | | 139.11 | 134.58 | | 133.50 | 137.44 |

| | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 267.53 | 257.06 | | 256.06 | 260.14 |
| To: Montreal, Que. | Track | | 291.20 | 280.73 | | 279.73 | 283.81 |
| Moncton, N.B. | Track | | 308.55 | 298.08 | | 297.08 | 301.16 |
| Truro, N.S. | Track | | 311.69 | 301.22 | | 300.22 | 304.30 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 358.99 | 348.52 | | 347.52 | 351.60 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

| B. CASH PRICES AND REPLACEMENT VALUES | | | | As of Monday November 22nd, 1999 | | | |
|---------------------------------------|--------------------------|--------|-----------|----------------------------------|----|-----------|----------|
| PRAIRIE GRAINS | | | | | | | |
| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay | Track | WHEAT | 119.00 | 120.90 | | 123.30 | 146.00 |
| | | OATS | 134.50 | 134.50 | | 125.50 | N/A |
| | | BARLEY | 108.40 | 109.10 | | 111.10 | 123.10 |
| To: Bayports, Ont. | In-store | WHEAT | 140.56 | 142.46 | 1. | 144.86 | 167.56 |
| | | OATS | 163.61 | 163.61 | 1. | 154.61 | N/A |
| | | BARLEY | 135.15 | 135.85 | 1. | 137.85 | 149.85 |
| Montreal, Que. | In-store | WHEAT | 145.63 | 147.53 | 1. | 149.93 | 172.63 |
| | | OATS | 172.76 | 172.76 | 1. | 163.76 | N/A |
| | | BARLEY | 140.20 | 140.90 | 1. | 142.90 | 154.90 |
| Moncton, N.B | Truck via Halifax | WHEAT | 166.88 | 168.78 | | 171.18 | 193.88 |
| | | OATS | 197.02 | 197.02 | | 188.02 | N/A |
| | | BARLEY | 161.73 | 162.43 | | 164.43 | 176.43 |
| Truro, N.S. | Truck via Halifax | WHEAT | 164.38 | 166.28 | | 168.68 | 191.38 |
| | | OATS | 194.52 | 194.52 | | 185.52 | N/A |
| | | BARLEY | 159.23 | 159.93 | | 161.93 | 173.93 |
| Halifax, N.S. | In-store | WHEAT | 154.19 | 156.09 | 1. | 158.49 | 181.19 |
| | | OATS | 182.58 | 182.58 | 1. | 173.58 | N/A |
| | | BARLEY | 148.24 | 148.94 | 1. | 150.94 | 162.94 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 213.93 | 215.83 | | 218.23 | 240.93 |
| | | OATS | 240.15 | 240.15 | | 231.15 | N/A |
| | | BARLEY | 211.07 | 211.77 | | 213.77 | 225.77 |
| From: Melfort, Sask. | FOB | WHEAT | 104.00 | 105.90 | | 109.30 | 127.50 |
| | | OATS | 110.00 | 110.00 | | 101.00 | 118.50 |
| | | BARLEY | 94.90 | 95.60 | | 97.10 | 111.70 |
| To: Bayports, Ont. | Track | WHEAT | 160.10 | 162.00 | | 165.40 | 183.60 |
| | | OATS | 175.37 | 175.37 | | 166.37 | 183.87 |
| | | BARLEY | 151.70 | 152.40 | | 153.90 | 168.50 |
| Montreal, Que. | Track | WHEAT | 160.86 | 162.76 | | 166.16 | 184.36 |
| | | OATS | 176.27 | 176.27 | | 167.27 | 184.77 |
| | | BARLEY | 152.52 | 153.22 | | 154.72 | 169.32 |
| Moncton, N.B. | Track | WHEAT | 182.03 | 183.93 | | 187.33 | 205.53 |
| | | OATS | 199.34 | 199.34 | | 190.34 | 207.84 |
| | | BARLEY | 174.08 | 174.78 | | 176.28 | 190.88 |
| Truro, N.S. | Track | WHEAT | 182.20 | 184.10 | | 187.50 | 205.70 |
| | | OATS | 202.78 | 202.78 | | 193.78 | 211.28 |
| | | BARLEY | 175.09 | 175.79 | | 177.29 | 191.89 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 225.53 | 227.43 | | 230.83 | 249.03 |
| | | OATS | 247.69 | 247.69 | | 238.69 | 256.19 |
| | | BARLEY | 223.39 | 224.09 | | 225.59 | 240.19 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 112.98 | 112.93 | | 107.24 | 135.01 |
| To: Montreal, Que. (US Corn) | In-store | | 130.98 | 130.93 | 1. | 125.24 | 153.01 |
| From: Saginaw (MI) | Track | | 107.22 | 107.75 | | 107.24 | 126.50 |
| To: Montreal, Que. (US Corn) | Track | | 139.52 | 140.05 | | 139.54 | 158.80 |
| From: Chatham | Track | | 113.08 | 113.08 | | 110.03 | 117.32 |
| To: Montreal, Que. | Track | | 137.63 | 137.63 | | 134.58 | 141.87 |

| | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 254.52 | 259.26 | | 256.17 | 272.16 |
| To: Montreal, Que. | Track | | 278.19 | 282.93 | | 279.84 | 295.83 |
| Moncton, N.B. | Track | | 295.54 | 300.28 | | 297.19 | 313.18 |
| Truro, N.S. | Track | | 298.68 | 303.42 | | 300.33 | 316.32 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 345.98 | 350.72 | | 347.63 | 363.62 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

December 13, 1999

Vol. 12 No. 23

IRAN



Iran is one of the world's largest net importers of agricultural products. Rapid population growth and an increase in disposable income is expected to substantially increase the demand for food over the medium and long-term, and should lead to diversification in agricultural imports, particularly of canola seed and canola oil. Iran currently imports 30-50 percent of their food requirements.

Last summer's drought in Iran has created substantial opportunities for the increased sale of grains and oilseeds. Trade missions between Canada and Iran have highlighted the following agricultural products as key opportunities for the Canadian exporter: grains and oilseeds, livestock feed, processing technology and farm machinery. This issue of the *Bi-weekly Bulletin* highlights Iran's economic situation, its agricultural development and its expected import requirements.

BACKGROUND

Canadian exports to Iran include grains and oilseeds, pulp and paper, equipment for the oil and gas industry, telecommunication equipment, medical and pharmaceutical products, and agricultural and livestock technology and information.

Iran's major exports to Canada include oil, hand woven carpets and other handicrafts, and agricultural products including dates, raisins and pistachios.

Industrialization, rapid population growth, urbanization, and the effects of an eight-year war with Iraq have left Iran with serious environmental problems, and it seeks technologies to increase efficiencies in its oil and gas, minerals and metals, telecommunications, and transportation industries while minimizing environmental impact. Wastewater and water management technologies, as they affect agriculture and other industries are a specific example of the type of technology transfer possible between Canada and Iran.

GOVERNMENT

The government of Iran is an Islamic Republic, headed by a Supreme Religious Leader and a democratically elected government. The President is the head of the executive body of the government and is elected democratically. President Mohammed Khatami, elected in May

1997, is pursuing a reform agenda to bring about the establishment of a civil society, with greater intellectual, individual, and cultural freedoms, and increased foreign relations. He has support from the Expediency Council headed by past-president and fellow moderate Ali-Akbar Hashemi Rafsanjani. With his restricted constitutional authority, the President is forced to balance his progressive agenda with the conservative faction's desire to maintain the status quo. Supreme Leader Ayatollah Ali Khameni, while traditionally a conservative has been increasingly playing a balancing role between reform and the conservatives.

ECONOMY

Iran's economy is a mixture of central planning, state ownership of oil and other large enterprises, village agriculture and small-scale private trading and service ventures. Over the past several years, the government has introduced several measures to liberalize the economy, and reduce government intervention. The government has also made debt reduction one of its top priorities and since rescheduling its debt in 1994, Iran has been diligent in paying off debt to improve access to longer-term

financing. Although, in the fall of 1998, Iran was once again forced to renegotiate some outstanding loans on a bilateral basis with its debtors, normal financial flows have resumed, and their balance of payments remains weak.

IRAN: ECONOMIC STATISTICS

| | 1996 | 1997 | 1998 |
|-----------------------|-------|-------|-------|
| Population (millions) | 60.1 | 60.1 | 61.9 |
| GDP (US\$ billions) | 103.6 | 102.0 | 100.3 |
| GDP per capita (US\$) | 1,725 | 1,698 | 1,620 |

Land area: 1.65 million square kilometers

Arable land: 17.75 million hectares

Source: FAO, World Bank



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Agriculture et Agroalimentaire Canada

Canada

Damage to the country's resources in the Iran-Iraq war and low international prices of oil created major economic dislocation. With more than 80 percent of its hard-currency earnings and approximately 50 percent of its total revenue relying on sales of oil, Iran's economy fluctuates with the price of oil. The recent rise in oil prices will help with debt servicing and current expenses, which include annual expenditures of US\$11 billion on subsidies of basic goods such as fuel, bread, and medicine.

Due to the summer's drought, real economic growth in 1999 is unlikely to reach 2 percent and will be far below the 5 percent average predicted at the beginning of the second five-year development plan (March 1995-2000). The drought has had a serious effect on the country's foreign currency reserves because of the need to import more foodstuffs.

CURRENCY

The Iran *rial* has been fixed to the US dollar in a managed float at 1,750 rials per US\$1 since May 1995. This official rate is used for imports of strategic agricultural commodities for human consumption, such as wheat. Most non-oil exports and imports not covered by the official rate are traded at about 8,020 rials per US\$1 through a foreign currency market on the Tehran Stock Exchange. Previously, many exports from Iran earned only a fixed rate of 3,000 rials per US\$1, but this rate no longer exists. There is also an unofficial "black market" rate of about 8,700 rials per US\$1.

CLIMATE

The summer (June-Aug.) is extremely hot with temperatures in the interior rising as high as 55 degrees Celsius (°C). Winter (Dec.-Feb.) temperatures can fall to minus 30°C in the north-west. Climatic zones vary from sub-polar to sub-tropical, allowing for a great diversity of agricultural production from tea and rice in the north, to tropical fruit on the southern shore and wheat and fruit in the central provinces. Annual rainfall ranges from less than 50 millimeters (mm) in the deserts to more than 1,600 mm on the Caspian Plain and averages 252 mm. Only one-third of the land surface receives rainfall of more than 250 mm annually, while the heavy winter snowfall in the mountains provides a reservoir of water for irrigating spring crops. With 20 percent of the total area desert, 55 percent natural range land, 8 percent forest, and the remaining 17 percent as potentially arable land, the major constraint to the development of agriculture is not the availability of land, rather the availability of water.

About 50 percent of cultivated land is equipped with full or partial control irrigation. While the government heavily subsidizes delivered water, irrigation is very expensive. For a medium sized farm the cost of surface irrigation development is approximately US\$2,500 per hectare (/ha), with an average annual operation cost of US\$175/ha. The average price of water delivered to farmers by government is US\$0.20-0.80 per 1,000 cubic meters (m³), while the cost of withdrawal of groundwater by the farmer is US\$5-9 per 1000 m³. The high subsidization by government of the cost of water is a deterrent to efficient use of the water.

AGRICULTURAL TRADE

Iran's main agricultural imports include wheat, refined sugar, rice, soybean and sunflower oil, corn, and animal feed and additives. During the years of war with Iraq, Iran had to import large amounts of wheat and barley because vast areas suitable for cultivating were close to the war zone. Since the termination of the war, production of these grains has resumed and is increasing. Although the government of Iran has placed a high priority on increasing its food production, the country is expected to continue to be a net importer of food products for the foreseeable future.

In 1998 Canada's agricultural exports to Iran were \$190 million, versus \$648 million in 1997, due to a better domestic crop of wheat. In 1997, 97 percent of Canada's exports to Iran were wheat, while in 1998 wheat accounted for only 81 percent of the exports. In 1998 soybeans were also an important export item, with bulk grains and oilseeds accounting for almost 100 percent of exports. During the current marketing year, the drought in Iran should result in higher imports from Canada.

Last summer's drought was the worst drought in 30 years, with damages estimated at US\$3.3 billion and affecting 600,000 families. Import requirements for wheat, barley, corn and rice are expected to increase significantly from 1998-1999 but they are comparable to 1996-1997 and 1997-1998. Losses include approximately 2.5 million tonnes (Mt) of crops in dry farming regions and 1.0 Mt in irrigated areas.

In April 1999, changes to the US trade sanction against Iran reinstated the US as a potential supplier of food and medical supplies to Iran.

GOVERNMENT AGRICULTURAL PROGRAMS

The Government Trading Corporation (GTC) imports and subsidizes major foodstuffs including wheat, sugar, edible oil, rice and fertilizer. Wheat flour is heavily subsidized and sold to bakeries. Barley and corn, imported through the State Livestock Affairs Logistics, are not subsidized as their major use is for animal feed.

IRAN: CROP PRODUCTION

| | 1995 -1998* | 1998 -1999 | 1999 -2000f |
|--------------------------|----------------|---------------|----------------|
|million tonnes..... | | | |
| Wheat (excluding Durum) | 10.767 | 12.000 | 8.500 |
| Barley | 2.717 | 2.300 | 1.600 |
| Rice | 1.583 | 1.750 | 1.600 |
| Corn | 0.665 | 0.850 | 0.700 |
| Chick Peas | 0.324 | 0.249 | 0.249 |
| Dry Beans | 0.148 | 0.183 | 0.183 |
| Soybeans | 0.138 | 0.145 | 0.120 |
| Lentils | 0.114 | 0.095 | 0.095 |
| Sunflower seed | 0.049 | 0.046 | 0.040 |
| Millet | 0.004 | 0.004 | 0.004 |

* 3 year average based on 1995-1996, 1996-1997, and 1997-1998

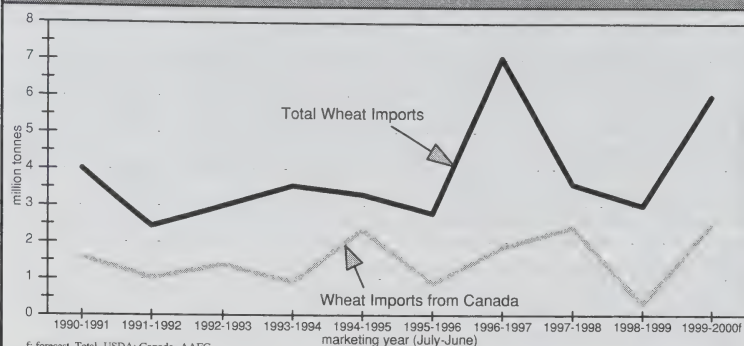
f: forecast: Chick Peas, Lentils, Dry Beans, Millet by FAO;

Wheat, Barley, Rice, Corn, Soybeans, Sunflowers by USDA

Source: USDA, FAO

By far, the largest irrigated area is for wheat, covering almost one-third of the total irrigated area, followed by fruit trees on one-fifth of the total area. Other major irrigated crops are barley, rice, vegetables and pulses. Wheat is also the most important rain-fed crop covering almost two-thirds of the rain-fed area. The yield for irrigated wheat in 1993 was estimated at 2.78 tonnes per hectare (t/ha), against 0.95 t/ha for rain-fed wheat. Dry farming is the source of 30 percent of Iran's wheat and barley production.

IRAN: WHEAT IMPORTS



The government places a high priority on improving the productivity of the agricultural sector. The focus of the government's First Five Year Development Plan (1990-1995), liberalization of production and marketing, helped increase the growth rate of the agriculture sector to 8.8 percent per year. During the Second Plan (1996-2000), the government maintained its guaranteed purchase of agricultural products at high prices, continued to allocate foreign exchange at a preferential rate for the import of agricultural machinery, to grant loans on easy terms and low interest rates to farmers through state-owned organizations and to keep paying subsidies on agricultural products. This year the government announced that agriculture will be the main axis of the economic activity in the next Five Year Plan. For the Third Plan, beginning in March 2000, it appears Iran will maintain its guaranteed purchase price program, which had been scheduled to be discontinued at the end of the Second Plan.

AGRICULTURAL PRODUCTS

The main crops produced by Iranian farmers are grains such as wheat, rice, and barley. Due to special programs initiated in the agricultural sector, Iran has become generally self-sufficient in the production of several farm products, including certain fruits, vegetables, and livestock. Nevertheless, Iran remains a net importer of foodstuffs.

Wheat

Iran imports about 30 percent of its wheat requirements. Per capita wheat consumption has been steadily increasing, while feed use has remained

fairly constant at 0.5 Mt annually. Per capita wheat consumption in 1998 was 239 kilograms (kg), versus about 95 kg for Canada. Although the cost of producing wheat in Iran is well above the cost of imported wheat, Iran chooses to produce up to 70 percent of needs, to avoid dependence on other countries and to enhance food security. Wheat production has steadily increased from 1 Mt during the 1979 Islamic Revolution to 1998's record 12 Mt.

As the majority of wheat is used for human consumption, Iran purchases milling quality wheat, although generally of a lower grade. Potential suppliers to Iran are Canada, Australia, Europe and possibly Kazakhstan. Canada's sales of wheat to Iran decreased to 313,000 tonnes (t) in 1998-1999 (July-June) from 2.408 Mt in 1997-1998, when Iran was Canada's number one customer for wheat, due to increased domestic production and a higher quality crop. For 1999-00 wheat production is expected to fall by 30 percent to 8.5 Mt and wheat imports are expected to increase to 6.0 Mt from 3.0 Mt last year. This should result in sales from Canada of approximately 2.5 Mt of wheat.

Coarse Grains

Barley is mostly consumed as feed. Since the record crop of 3.4 Mt of barley in 1988, acreage and production have been steadily decreasing and imports have been increasing. While Canada has sold small quantities of barley to Iran in the past, exports have not exceeded 200,000 t since 1989-1990. For

the 1999-2000 marketing year, barley production is expected to decrease to 1.6 Mt and imports of feed barley are expected to increase from 0.6 Mt to 1.0 Mt, most of which will be from the EU.

Corn

has been steadily rising in importance as a feed grain since 1974. As very little corn is produced domestically, imports have increased at the same pace as feed use. For 1999-2000 imports are expected to increase from 0.75 Mt to 1.2 Mt. Since September 1999, the US has sold 650,000 t of corn to Iran.

Oilseeds

While Iranians consume over 1 Mt of edible oils annually, they produce about 50,000 t, requiring high imports. The production of **sunflower seed** has decreased slightly from 46,000 t in 1995-1996 to the 40,000 t forecast for 1999-2000. While the production of **soybeans** has been increasing slightly from year to year, the drought is expected to result in a harvest of only 120,000 t in 1999-2000. Locally produced oilseeds are crushed in eight different plants where the crushing capacity is 342,000 t annually. As the crushing capacity in Iran is limited, Iran imports about 1 Mt of edible oils annually rather than seed. Imported soyoil, sunflowerseed oil, and olive oil is refined in 14 different plants, with a refining capacity of 1.2 Mt.

For 1999-2000, imports of vegetable oils are forecast by USDA to increase by 19 percent from 1998-1999 to 1.2 Mt. Higher imports of palm oil and sunflower seed oil will more than offset lower imports of soybean oil. Imports of soybean meal are forecast to increase by 6 percent to 690,000 t in 1999-2000.

Since 1996 there have been a number of government organized missions to

IRAN: IMPORTS OF VEGETABLE OIL AND MEAL

| October-September marketing year | 1997 -1998 | 1998 -1999 | 1999 -2000f |
|-------------------------------------|---------------|---------------|----------------|
|thousand tonnes..... | | | |
| Soybean Oil | 675 | 750 | 700 |
| Palm Oil | 130 | 130 | 275 |
| Sunflowerseed Oil | 200 | 150 | 225 |
| Canola Oil | - | - | 30 |
| Total | 1,005 | 1,030 | 1,230 |
| Soybean Meal | 570 | 650 | 690 |

f: USDA forecast, December 1999
Source: USDA, AAFC

promote the use of **canola** oil in Iran. In 1999 canola oil was approved for human consumption by the government of Iran. Growing conditions suggest that limited amounts of canola could be produced in Iran, and this will increase export opportunities to include sowing seed along with crude canola oil. The importation of canola was delayed partly because of the need to introduce appropriate technologies and equipment in the existing refining plants. Imports of 20,000-40,000 t of crude canola oil from Canada are forecast for 1999-2000 to be used for research and developmental purposes.

Rice

Rice is an important staple of the Iranian diet and since 1997-1998 has been the third largest crop grown in Iran. While production has been increasing from year to year, forecasted rice production in 1999-2000 is down 25 percent due to the drought. Government will have to increase rice imports by 350,000 t to a total of 900,000 t this year to alleviate the fall in domestic production.

Special Crops

Lentils, dry beans, chick peas, and **dry peas** are commonly consumed in traditional foods. While Iran produces dry beans, chick peas, lentils and **millet**, imports are required when production is not sufficient. In recent years, Canadian exports of special crops to Iran have included dry peas with \$1.13 million in 1995-1996 and \$0.14 million in 1998-1999. As well, Canada exported **kidney beans, white beans** and lentils in 1997-1998, **canary seed** in 1996-1997 and **mustard seed** in 1996-1997 and 1997-1998.

Livestock

Livestock accounts for 25 percent of value-added production in the agriculture sector in Iran. Traditionally migrating tribes have maintained the large herds of sheep and goats, and most small farms have engaged in the production of milk and meat. Recently there has been a move to large scale industrial farms in response to higher demand for meat. Iran produces 700,000 t of red meat, 685,000 t of chicken meat, and 366,000 t of other meat products per year, from poultry, sheep, goats, cattle, camels, and buffalo. Iran also produces 570,000 t of eggs, 4.9 Mt of milk, and 13,000 t of cheese. Domestic production of meat is almost sufficient to cover internal requirements but some imports of all types of meat, excluding pork, are allowed in order to maintain price stability. With the expansion of industrial farms, both for dairy and meat production, there is a need for important quantities of genetic material. In 1997 Canada exported almost \$1 million worth of genetic material to Iran.

OUTLOOK

Canada's greatest export opportunity for grains and oilseeds to Iran continues to be as a supplier of wheat for food use. Opportunities for canola, as sowing seed, edible oil and canola meal for feed production also exist, as well as for increased Canadian exports of special crops including dry peas, dry beans, lentils, and chickpeas. Technology and agri-food equipment of all sorts, however, appear to offer the greatest opportunities. In Iran, about 70 percent of the landowners possess less than 5.5 hectares (ha) of land. The Minister of Agriculture has been urging peasants to consolidate their small, scattered plots and to form rural production

cooperatives (RPC's). Optimally, each RPC will cover 2,000 to 92,500 ha of land and comprise 200 to 250 farmers, who maintain their individual ownership. While the movement towards RPC's has been slow, it is estimated that by 2022 almost all of Iran's farms will consist of RPC's or large commercial farms. This creates an industrialization opportunity where irrigation technology, specialized equipment and large horsepower tractors will be necessary. Processors, as well, require technology and knowledge in many areas including food processing, packaging equipment and technology, quality control and canola crushing and refining equipment.

For more information please contact:

**Deanna Harrison,
Market Analyst**

Phone: (204) 983-8474

E-mail: harrisonsd@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

The Bi-weekly Bulletin is published by the: Market Analysis Division, Policy Branch, Adaptation and Grain Policy Directorate, Agriculture and Agri-Food Canada, 500-303 Main Street Winnipeg, Manitoba R3C 3G7 Telephone: (204) 983-8473 Fax: (204) 983-5524

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IRAN: WHEAT SUPPLY AND DISPOSITION

| July-June marketing year | 1995 -1998* | 1998 -1999 | 1999 -2000f |
|-----------------------------|----------------|---------------|----------------|
| Harvested area (000 ha) | 6,400 | 6,600 | 6,000 |
| Yields (t/ha) | 1.682 | 1.818 | 1.417 |
|thousand tonnes..... | | | |
| Carry-in Stocks | 5,125 | 5,527 | 4,071 |
| Production | 10,767 | 12,000 | 8,500 |
| Imports | 4,476 | 3,000 | 6,000 |
| Total Supply | 20,368 | 20,527 | 18,571 |
| Feed | 750 | 500 | 500 |
| Food, Seed, Industrial Use | 14,550 | 15,956 | 16,000 |
| Total Domestic Use | 15,300 | 16,456 | 16,500 |
| Carry-out Stocks | 5,068 | 4,071 | 2,071 |

f: forecast, December 1999

Source: USDA

IRAN: BARLEY SUPPLY AND DISPOSITION

| October-September marketing year | 1995 -1998* | 1998 -1999 | 1999 -2000f |
|-------------------------------------|----------------|---------------|----------------|
| Harvested area (000 ha) | 1,783 | 1,550 | 1,350 |
| Yields (t/ha) | 1.535 | 1.484 | 1.185 |
|thousand tonnes..... | | | |
| Carry-in Stocks | 533 | 300 | 300 |
| Production | 2,717 | 2,300 | 1,600 |
| Imports | 511 | 600 | 1,000 |
| Total Supply | 3,761 | 3,200 | 2,900 |
| Feed | 3,047 | 2,650 | 2,450 |
| Food, Seed, Industrial Use | 315 | 250 | 250 |
| Total Domestic Use | 3,361 | 2,900 | 2,700 |
| Carry-out Stocks | 400 | 300 | 200 |

f: forecast, December 1999

Source: USDA

CANADIAN GRAINS AND OILSEEDS OUTLOOK DECEMBER 6, 1999

Production of grains and oilseeds in Canada is estimated by Statistics Canada (STC) at 66.2 million tonnes (Mt) in 1999-00 versus 62.1 Mt for 1998-99 and the 10-year average of 59.4 Mt. In Western Canada, despite the adverse wet weather conditions at planting time and during harvest, good growing conditions resulted in record yields for canola and wheat. A major decline in durum wheat production has been more than offset by an increase in spring wheat production. The quality of wheat and durum is good. About 70% of the bread wheat and durum crops should fall into the top two grades. The protein content for all grades of Canada Western Red Spring wheat is lower than last year, but comparable to the ten year average. However, the protein content for most grades of durum is lower than both last year and the average. In Ontario and Quebec, yields for grain corn, winter wheat and soybeans were above average.

Exports of wheat, barley, canola and soybeans are forecast to increase, while exports of corn, oats and flaxseed decrease. The Canadian Wheat Board (CWB) projects that 40 percent of its wheat, durum and barley exports will be made by the end of December, 1999, with 80% completed by the end of May, 2000. Prices for Canadian grains and oilseeds (except durum) in 1999-00 are forecast to decline due to increased world supplies and weak demand, combined with high domestic subsidies in the US and high export subsidies in the EU. The major factors to watch are: the timing of US marketings of grains and oilseeds which had received Loan Deficiency Payments; the aggressiveness of the EU with export subsidies; the import demand from China on oilseeds and vegetable oil; and crop conditions in the southern hemisphere.

WHEAT (ex-durum)

Supplies increased by 20% from 1998-99, to 28 Mt, due to higher production and carry-in stocks. Domestic use is expected to rise slightly, due to greater feed use, partially attributable to the lower quality crop compared to 1998-99. With greater supplies, exports are forecast to recover by 37% to 14.8 Mt, but remain well below the 10-year average of 16.2 Mt. Carry-out stocks are forecast to rise by 11%, to 6.0 Mt, with the increase mainly in commercial stocks. The CWB expects to be able to accept the delivery of virtually all wheat offered by farmers in 1999-00. The CWB Nov. 1999-00 Pool Return Outlook (PRO) for No.1 CWRs is unchanged from Oct., at \$152-182/t I/S VC/SL, with the midpoint \$16/t lower than the 1998-99 Estimated Pool Return (EPR). The Ontario Wheat Producers' Marketing Board's Dec. 1 EPR for No.1 CEWW is unchanged from Nov., at \$105-115/t, vs. the final 1998-99 pool return of \$121/t.

DURUM

Supplies decreased by only 9% from 1998-99, despite a 30% decline in production, due to higher carry-in stocks. Domestic use is forecast to be unchanged at 1.0 Mt. Exports are expected to rise slightly, to 3.9 Mt, due to increased import demand from North Africa and the EU. Carry-out stocks are forecast to fall by 33% to 1.3 Mt, compared to the 10-year average of 1.7 Mt. The CWB 1999-00 PRO for No.1 CWAD is \$192-222/t, up \$7/t from Oct. and with the midpoint \$9/t higher than the 1998-99 EPR. The premium for No.1 CWAD over No.1 CWRs is forecast at \$40/t, compared to \$15/t for 1998-99.

BARLEY

Supplies increased by 4% from 1998-99, due to higher production and carry-in stocks. Domestic feed barley use is forecast to decrease slightly but remain

strong. Feed barley exports are expected to increase, but remain low due to strong domestic demand. Malting barley exports are also expected to rise due to lower supplies in other exporting countries, such as the EU and Australia, and increased demand from the US and China for six-row and two-row malting barley, respectively. Carry-out stocks are expected to rise which will pressure off-Board feed barley prices. The Nov. CWB PRO for No.1 CW Feed Barley is unchanged from Oct., at \$120-150/t, vs. the 1998-99 EPR of \$144/t. The Nov. PRO for Special Select Two Row Designated Barley is up \$1/t from Oct., at \$174-194/t, vs. the 1998-99 EPR of \$168/t.

OATS

Supplies decreased slightly from 1998-99 due to lower production. Canadian exports to the US is expected to fall due to higher production and increased competition from the EU for the high quality southern US import market. Carry-out stocks are expected to increase slightly. Oat prices are forecast to decrease from 1998-99 due to lower US corn prices.

CORN

Supplies rose by 2% from 1998-99 to 10.9 Mt due to record production and a slight increase in imports. Food and industrial use for starch and ethanol production is expected to continue to rise while feed use is forecast to drop slightly on lower hog inventories. Exports are expected to remain high, with a large portion destined for offshore markets. Canada is expected to be a small net importer of corn. Chatham corn prices are expected to fall from 1998-99, due to lower US corn prices and record Canadian corn production.

CANOLA

Supplies increased by 17% from 1998-99 to 9.5 Mt due to record production of 8.8 Mt and higher carry-in stocks. Domestic crush is forecast to be similar to 1998-99

while exports rise about 10% due to higher imports by China. Carry-out stocks are expected to increase significantly to 1.6 Mt. Canola prices (I/S Vancouver) are forecast to fall from an average of \$373/t in 1998-99 to \$300/t due to lower world vegetable oil prices and increased supplies of canola/rapeseed.

FLAXSEED (excluding Solin)

Supplies increased by 8% from 1998-99 to 1.2 Mt due to continued high production and higher carry-in stocks. Domestic use is forecast to fall due to lower exports of linseed oil to China. Exports are also forecast to decline due to lower imports by the EU related to significantly higher production in the EU. Carry-out stocks are forecast to rise sharply. Flaxseed prices (I/S Thunder Bay) are forecast to fall from an average of \$313/t in 1998-99 to \$250/t due to lower prices in the oilseed complex and higher supplies of flaxseed in Canada.

SOYBEANS

Supplies increased by 7% from 1998-99 due to higher production and carry-in stocks. Domestic use is forecast to increase due to strong crush margins, while exports are forecast to rise due to strong demand from niche markets. Carry-out stocks are expected to be similar to 1998-99. Soybean prices (I/S Chatham) are forecast to decline from an average of \$266/t in 1998-99 to \$250/t due to lower US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465

E-mail.....lennoxg@em.agr.ca

Coarse Grains.....Duncan McKinnon 983-8467

E-mailmckinnond@em.agr.ca

Oilseeds.....Chris Beckman984-4929

E-mail.....beckmac@em.agr.ca

Fred Oleson, Chief.....983-0807

E-mailolesonf@em.agr.ca

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CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

December 6, 1999

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1997-1998 | 2,212 | 1.97 | 4,352 | 0 | 5,855 | 4,228 | 187 | 403 | 870 | 757 | 278 |
| 1998-1999 | 2,914 | 2.07 | 6,042 | 3 | 6,802 | 3,848 | 182 | 650 | 1,001 | 1,952 | 198 |
| 1999-2000f | 1,760 | 2.42 | 4,259 | 1 | 6,213 | 3,900 | 185 | 608 | 1,013 | 1,300 | 192-222 |
| Wheat Except Durum | | | | | | | | | | | |
| 1997-1998 | 9,198 | 2.17 | 19,929 | 51 | 27,523 | 15,768 | 2,651 | 3,082 | 6,504 | 5,252 | 191 |
| 1998-1999 | 7,764 | 2.32 | 18,034 | 77 | 23,363 | 10,783 | 2,691 | 3,549 | 7,078 | 5,413 | 183 |
| 1999-2000f | 8,603 | 2.63 | 22,591 | 25 | 28,028 | 14,800 | 2,665 | 3,668 | 7,228 | 6,000 | 152-182 |
| All Wheat | | | | | | | | | | | |
| 1997-1998 | 11,410 | 2.13 | 24,280 | 52 | 33,378 | 19,995 | 2,837 | 3,485 | 7,374 | 6,009 | |
| 1998-1999 | 10,678 | 2.25 | 24,076 | 80 | 30,165 | 14,631 | 2,873 | 4,199 | 8,079 | 7,365 | |
| 1999-2000f | 10,364 | 2.59 | 26,850 | 26 | 34,241 | 18,700 | 2,850 | 4,276 | 8,241 | 7,300 | |
| Barley | | | | | | | | | | | |
| 1997-1998 | 4,700 | 2.88 | 13,527 | 18 | 16,464 | 2,779 | 275 | 10,544 | 11,226 | 2,459 | 134 |
| 1998-1999 | 4,272 | 2.98 | 12,709 | 62 | 15,230 | 1,687 | 375 | 10,096 | 10,856 | 2,687 | 117 |
| 1999-2000f | 4,069 | 3.24 | 13,196 | 25 | 15,908 | 2,200 | 385 | 9,918 | 10,708 | 3,000 | 100-120 |
| Corn | | | | | | | | | | | |
| 1997-1998 | 1,045 | 6.87 | 7,180 | 1,472 | 9,621 | 118 | 1,720 | 6,861 | 8,611 | 892 | 140 |
| 1998-1999 | 1,118 | 8.01 | 8,952 | 893 | 10,737 | 830 | 1,795 | 7,222 | 9,048 | 860 | 110 |
| 1999-2000f | 1,141 | 7.97 | 9,096 | 900 | 10,856 | 800 | 2,000 | 7,126 | 9,156 | 900 | 95-115 |
| Oats | | | | | | | | | | | |
| 1997-1998 | 1,499 | 2.33 | 3,485 | 6 | 4,300 | 1,376 | 221 | 1,676 | 2,078 | 846 | 156 |
| 1998-1999 | 1,592 | 2.49 | 3,958 | 3 | 4,806 | 1,491 | 226 | 1,833 | 2,223 | 1,092 | 132 |
| 1999-2000f | 1,398 | 2.60 | 3,641 | 3 | 4,736 | 1,350 | 225 | 1,906 | 2,286 | 1,100 | 110-130 |
| Rye | | | | | | | | | | | |
| 1997-1998 | 162 | 1.98 | 320 | 0 | 372 | 139 | 48 | 99 | 171 | 63 | |
| 1998-1999 | 204 | 1.96 | 398 | 0 | 462 | 80 | 57 | 140 | 218 | 164 | |
| 1999-2000f | 169 | 2.29 | 387 | 0 | 550 | 50 | 65 | 257 | 340 | 160 | |
| Mixed Grains | | | | | | | | | | | |
| 1997-1998 | 218 | 2.76 | 603 | 0 | 603 | 0 | 0 | 603 | 603 | 0 | |
| 1998-1999 | 198 | 2.77 | 548 | 0 | 548 | 0 | 0 | 548 | 548 | 0 | |
| 1999-2000f | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1997-1998 | 7,624 | 3.29 | 25,115 | 1,495 | 31,360 | 4,412 | 2,264 | 19,782 | 22,688 | 4,260 | |
| 1998-1999 | 7,384 | 3.60 | 26,565 | 958 | 31,783 | 4,088 | 2,453 | 19,839 | 22,892 | 4,803 | |
| 1999-2000f | 6,930 | 3.86 | 26,767 | 928 | 32,498 | 4,400 | 2,675 | 19,655 | 22,938 | 5,160 | |
| Canola | | | | | | | | | | | |
| 1997-1998 | 4,870 | 1.31 | 6,393 | 141 | 7,096 | 2,964 | 3,239 | 490 | 3,772 | 361 | 420 |
| 1998-1999 | 5,421 | 1.41 | 7,640 | 157 | 8,161 | 3,900 | 3,063 | 544 | 3,650 | 611 | 373 |
| 1999-2000f | 5,564 | 1.58 | 8,798 | 100 | 9,509 | 4,300 | 3,000 | 565 | 3,609 | 1,600 | 280-320 |
| Flaxseed | | | | | | | | | | | |
| 1997-1998 | 737 | 1.40 | 1,029 | 1 | 1,135 | 918 | n/a | n/a | 176 | 41 | 388 |
| 1998-1999g | 874 | 1.24 | 1,081 | 5 | 1,127 | 719 | n/a | n/a | 245 | 162 | 313 |
| 1999-2000f | 793 | 1.32 | 1,049 | 4 | 1,215 | 540 | n/a | n/a | 175 | 500 | 230-270 |
| Soybeans | | | | | | | | | | | |
| 1997-1998 | 1,060 | 2.58 | 2,738 | 149 | 2,966 | 769 | 1,583 | 361 | 2,009 | 188 | 333 |
| 1998-1999 | 980 | 2.79 | 2,737 | 252 | 3,179 | 868 | 1,576 | 396 | 2,064 | 247 | 266 |
| 1999-2000f | 999 | 2.77 | 2,766 | 400 | 3,413 | 900 | 1,800 | 397 | 2,263 | 250 | 230-270 |
| Total Oilseeds | | | | | | | | | | | |
| 1997-1998 | 6,666 | 1.52 | 10,160 | 290 | 11,197 | 4,650 | 4,821 | 851 | 5,957 | 590 | |
| 1998-1999 | 7,275 | 1.57 | 11,458 | 417 | 12,467 | 5,487 | 4,639 | 940 | 5,960 | 1,020 | |
| 1999-2000f | 7,357 | 1.71 | 12,613 | 504 | 14,137 | 5,740 | 4,800 | 962 | 6,047 | 2,350 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1997-1998 | 25,700 | 2.32 | 59,555 | 1,837 | 75,936 | 29,057 | 9,922 | 24,118 | 36,020 | 10,859 | |
| 1998-1999 | 25,336 | 2.45 | 62,099 | 1,455 | 74,415 | 24,206 | 9,965 | 24,977 | 36,931 | 13,187 | |
| 1999-2000f | 24,650 | 2.69 | 66,231 | 1,458 | 80,876 | 28,840 | 10,325 | 24,893 | 37,226 | 14,810 | |

(a) Aug.-July crop year except corn and soybeans which are Sept. - Aug.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver), Barley (No.1 Feed, WCE cash I/S, Lethbridge), Corn (No.2 CE cash I/S, Chatham), Oats (No. 3 CW, WCE cash Track Minneapolis); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

(g) Includes Solin.

* 1998-99 CWB Estimated Pool Return, Sept. 1999; CWB Pool Return Outlook, Nov. 1999.

f - Agriculture and Agri-Food Canada forecast Dec. 1999.

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Policy Branch - Market Analysis Division - Winnipeg, Manitoba

CANADA: SPECIAL CROPS SITUATION AND OUTLOOK FOR 1999-00 December 6, 1999

Total Canadian special crop production increased by 11% to a record 4.07 million tonnes (Mt), due to higher yields, based on Statistics Canada's (STC) November Estimate of Production of Principal Field Crops. Higher production of lentils, dry beans, chick peas, mustard seed and sunflower seed, more than offset lower production of dry peas, canary seed and buckwheat. The quality of the special crops is generally average, with the exception of the lentil crop, which is slightly lower than average, and the chick pea crop which is extremely variable, ranging from poor to good. Total exports are forecast to increase by 15% over last year to a record 2.57 Mt. Despite projected higher exports and domestic use, total carry-out stocks are forecast to increase. Average prices of dry peas and buckwheat are forecast to be near 1998-99 levels, but average prices of lentils, dry beans, chick peas, mustard seed, canary seed and sunflower seed are expected to be lower.

Dry Peas

Production decreased by 4% to 2.25 Mt, as a 23% decrease in harvested area was mostly offset by higher yields. An estimated 65% of the peas produced were yellow, 30% green and 5% other. Total supply increased by 10%, as higher carry-in stocks more than offset lower production. Decreased world production is expected to result in increased exports of feed peas to Europe and food peas to Asia and Latin America. Domestic consumption, mainly for livestock feed, is forecast to increase due to greater acceptance of dry peas for livestock feed, combined with good supply and competitive prices. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 25%, which is similar to the ratio at the end of 1998-99. The average price over all types, grades and markets is forecast to be similar to 1998-99.

Lentils

Production increased by 50% to 724,000 t, due to a 34% increase in harvested area and higher yields. Carry-in stocks were low and total supply increased by 47%. Domestic use is forecast to increase. Exports are forecast to increase by 33%, due to lower production in the Middle East and increased Canadian ability to supply export markets because of increased Canadian total lentil supply and increased Canadian supply of red lentils specifically. Carry-out stocks are forecast to rise, with a stocks-to-use ratio of 15%. The larger supply and carry-out stocks are expected to pressure prices downward, however this is expected to be mostly offset by strong demand. In addition, an estimated 35% of the production is No.1 grade, compared to 60% in 1998-99, which widened the price spread between the No.1 and lower grades. The average price over all types and grades is forecast to decrease by about 5%.

Dry Beans

Production increased by 54% to 291,000 t due to a 60% increase in harvested area, which was partly offset by lower yields. Production of white pea beans doubled to 142,500 t, while coloured bean production increased by 20% to 148,500 t. Imports are forecast to decrease due to larger Canadian

production. Carry-in stocks were low, especially for white pea beans, therefore total supply is forecast to increase by 25%. Exports and domestic use are forecast to increase by 5-10%. Carry-out stocks are expected to rise, with a stocks-to-use ratio of 28%. USDA is forecasting a 3% increase in the US dry bean production. Lower US pinto and black bean production is expected to be offset by increased white pea bean production. Increased world dry bean production is expected to pressure prices downward. The average price over all types and grades is forecast to fall by about 10-15%.

Chick Peas

Production quadrupled to 197,000 t, in line with increased harvested area. An estimated 45% of the production was the kabuli type and 55% the desi type. Late seeding and cool and relatively wet summer reduced the quality of the crop. Dealers are expected to use cleaning and electric eye technology to upgrade the crop, where possible. Decreased production in the Middle East, is expected to increase demand for Canadian chick peas. Domestic use is also forecast to increase, mainly because some of the very low quality chick peas are expected to be used for livestock feed. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 10%. Prices of top-grade chick peas are expected to be similar to 1998-99, but a greater share of the lower priced desis in the total production, as well as larger share of lower quality chick peas, is expected to result in a decrease of the average price over both types and all sizes and grades, by 15-20%.

Mustard Seed

Production increased by 28% to 306,000 t, due to higher yields. The increased production is mainly of the yellow and oriental types. Carry-in stocks were higher and total supply increased by 30%. Although Canada produces only about 10% of the world's mustard seed, it dominates world's exports, with an approximately 80% share. Therefore Canadian supply tends to have a large impact on prices. Exports are forecast to increase due to increased demand in Asia and the US, while domestic use is expected to rise slightly. Carry-out stocks are forecast to increase to a burdensome level, with a stocks-to-use ratio of 60%. Therefore, the average price over all types and grades is forecast to decrease by about 15%.

Canary Seed

Production decreased by 30% to 166,000 t, in line with the decrease in harvested area. Total supply decreased by only 7% due to high carry-in stocks. Canada accounts for about 80% of the world's canary seed production and exports. Therefore the large Canadian supply will continue to pressure prices. Exports are forecast to increase, due to lower canary seed production outside of Canada. Domestic use is expected to be similar to 1998-99. Carry-out stocks are expected to decrease, but remain burdensome, with a stocks-to-use ratio of 50%. Prices will be supported by the producers' ability to store the product for long periods of time without deterioration, but the average price is expected to decrease slightly.

Sunflower Seed

Production increased by 10% to 122,000 t, due to a 15% increase in harvested area which was partly offset by lower yields. Approximately 45% of the production was the oil type and 55% the confectionary type. Carry-in stocks were higher and total supply increased by 15%. Exports and domestic use are expected to increase. Carry-out stocks are forecast to remain stable, with a stocks to use ratio of 25%. Higher world production of confectionary sunflower seeds, due mainly to higher production in the US and Canada, will pressure confectionary prices downward. Prices for the oil type of sunflower seeds are also expected to decrease, due to pressure from low world vegetable oil prices. The average price over both types is forecast to decline by about 15%.

Buckwheat

Production decreased by 15%, due to lower harvested area and yields. World production was similar to 1998-99. Canadian exports are forecast to remain stable, while domestic use decreases slightly. Carry-out stocks are expected to remain low, since old crop seed tends to decrease in price once the new crop harvest starts. Average price is expected to remain similar to 1998-99.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-9972
E-mail skrypetz@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mail olesonf@em.agr.ca
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CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS (c)

December 6, 1999

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use | Ending Stocks | Average Price (d) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|----------------|-----------------|----------------|-----------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1995-1996 | 791 | 1.84 | 1,455 | 12 | 1,587 | 984 | 383 | 220 | 198 |
| 1996-1997 | 520 | 2.25 | 1,169 | 8 | 1,397 | 855 | 462 | 80 | 209 |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,839 | 1,116 | 573 | 150 | 177 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,497 | 1,324 | 703 | 470 | 132 |
| 1999-2000f | 835 | 2.70 | 2,252 | 10 | 2,732 | 1,400 | 772 | 560 | 115-145 |
| Lentils | | | | | | | | | |
| 1995-1996 | 327 | 1.32 | 432 | 3 | 488 | 284 | 127 | 77 | 395 |
| 1996-1997 | 304 | 1.33 | 403 | 4 | 484 | 286 | 108 | 90 | 470 |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 473 | 349 | 109 | 15 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 502 | 372 | 120 | 10 | 381 |
| 1999-2000f | 497 | 1.46 | 724 | 3 | 737 | 495 | 147 | 95 | 350-380 |
| Dry Beans | | | | | | | | | |
| 1995-1996 | 104 | 1.93 | 201 | 19 | 236 | 173 | 43 | 20 | 585 |
| 1996-1997 | 84 | 1.58 | 133 | 26 | 179 | 124 | 45 | 10 | 605 |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000f | 153 | 1.90 | 291 | 25 | 341 | 205 | 60 | 75 | 555-585 |
| Chick Peas | | | | | | | | | |
| 1995-1996 | 1 | 1.00 | 1 | 4 | 5 | 1 | 4 | | n/a |
| 1996-1997 | 3 | 1.33 | 4 | 4 | 8 | 1 | 7 | | n/a |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.32 | 50 | 2 | 53 | 14 | 34 | 5 | 493 |
| 1999-2000f | 139 | 1.42 | 197 | 0 | 202 | 80 | 102 | 20 | 390-420 |
| Mustard Seed | | | | | | | | | |
| 1995-1996 | 267 | .91 | 244 | 0 | 301 | 209 | 62 | 30 | 348 |
| 1996-1997 | 233 | .99 | 231 | 1 | 262 | 141 | 61 | 60 | 363 |
| 1997-1998 | 292 | .83 | 243 | 1 | 304 | 166 | 63 | 75 | 398 |
| 1998-1999 | 279 | .86 | 239 | 1 | 315 | 149 | 61 | 105 | 348 |
| 1999-2000f | 273 | 1.12 | 306 | 1 | 412 | 185 | 67 | 160 | 280-310 |
| Canary Seed | | | | | | | | | |
| 1995-1996 | 146 | 1.06 | 155 | 0 | 195 | 125 | 50 | 20 | 495 |
| 1996-1997 | 235 | 1.21 | 285 | 0 | 305 | 122 | 44 | 139 | 300 |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 254 | 134 | 47 | 73 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 308 | 137 | 51 | 120 | 248 |
| 1999-2000f | 146 | 1.14 | 166 | 0 | 286 | 145 | 46 | 95 | 225-255 |
| Sunflower Seed | | | | | | | | | |
| 1995-1996 | 45 | 1.49 | 66 | 13 | 104 | 35 | 45 | 24 | 354 |
| 1996-1997 | 35 | 1.57 | 55 | 12 | 91 | 24 | 43 | 24 | 345 |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 101 | 45 | 46 | 10 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 139 | 43 | 61 | 35 | 388 |
| 1999-2000f | 79 | 1.54 | 122 | 5 | 162 | 55 | 72 | 35 | 310-340 |
| Buckwheat | | | | | | | | | |
| 1995-1996 | 17 | 1.26 | 21 | 1 | 22 | 9 | 11 | 2 | 315 |
| 1996-1997 | 17 | 1.30 | 22 | 1 | 25 | 11 | 12 | 2 | 320 |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 9 | 9 | 1 | 315 |
| 1999-2000f | 13 | 1.00 | 13 | 3 | 17 | 9 | 8 | 1 | 300-330 |
| Total Special Crops | | | | | | | | | |
| 1995-1996 | 1,698 | 1.52 | 2,575 | 52 | 2,938 | 1,820 | 725 | 393 | |
| 1996-1997 | 1,431 | 1.61 | 2,302 | 56 | 2,751 | 1,564 | 782 | 405 | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 53 | 3,201 | 1,949 | 912 | 340 | |
| 1998-1999 | 2,154 | 1.70 | 3,657 | 109 | 4,106 | 2,241 | 1,094 | 771 | |
| 1999-2000f | 2,135 | 1.91 | 4,071 | 47 | 4,889 | 2,574 | 1,274 | 1,041 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

Source: Statistics Canada and industry consultations.

f - Agriculture and Agri-Food Canada forecast, December 6, 1999.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | GLUTEN FEED | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|------------|------------|------------|-------------|-------------|--------------|--------------|
| Vancouver B.C. | This week | FOB | (1) 131.01 | N/A | 131.36 | (3) 142.00 | | 277.00 | 178.50 | 110.00 | 310.00 | (4) 600.00 | 420.00 | | | | 360.00 |
| | Week ago | | (1) 133.66 | N/A | 131.66 | (3) 140.00 | | 273.50 | 181.00 | 112.00 | 310.00 | (4) 600.00 | 420.00 | | | | 360.00 |
| Calgary | This week | FOB | (1) 107.85 | 100.00 | 108.20 | (3) 134.00 | | 268.50 | 154.00 | | 265.00 | (4) 650.00 | 540.00 | | | | 355.00 |
| Alta | Week ago | | (1) 110.50 | N/A | 108.50 | (3) 134.00 | | 264.50 | 154.00 | | 265.00 | (4) 650.00 | 540.00 | | | | 355.00 |
| Saskatoon | This week | FOB | (1) 101.50 | 96.00 | 90.00 | (3) 114.00 | | 259.50 | 160.00 | | 265.00 | (4) N/A | 540.00 | | | | 385.00 |
| Sask. | Week ago | | (1) 101.50 | 96.00 | 90.00 | (3) 115.00 | | 256.50 | 153.00 | | 265.00 | (4) N/A | 540.00 | | | | 385.00 |
| Melfort | This week | FOB | (1) 108.50 | 115.00 | 97.60 | | | | | | | | | | | | |
| Sask. | Week ago | | (1) 102.90 | 110.00 | 95.10 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | (1) 92.25 | 101.91 | 90.95 | (3) 107.00 | | 253.50 | 160.00 | | 270.00 | (4) 875.00 | 430.00 | | | | 320.00 |
| Man. | Week ago | | (1) 93.35 | 93.45 | 89.75 | (3) 106.00 | | 250.50 | 153.00 | | 270.00 | (4) 875.00 | 430.00 | | | | 320.00 |
| Thunder Bay | This week | Track | (1) 120.50 | 139.50 | 108.60 | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 117.90 | 134.50 | 108.60 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | (3) 114.42 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | (3) 113.43 | | | | | | | | | | | |
| Bay Ports | This week | In-store | (1) 140.25 | 153.50 | 128.60 | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 139.15 | 168.00 | 129.25 | | | | | | | | | | | | |
| Chatham | This week | Track | | | | (2) 113.18 | | | | | | | | | | | |
| Ont. | Week ago | | | | | (2) 111.90 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 259.00 | (5) N/A | 500.00 | 425.00 | 118.00 | 204.00 | 370.00 |
| Ont. | Week ago | | | | | | FOB | 260.69 | N/A | | 276.00 | (5) N/A | 505.00 | 435.00 | 118.00 | 198.00 | 380.00 |
| Hamilton | This week | N/A | | | | | | 252.76 | 151.35 | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Eastern | This week | FOB | | | | (2) 110.47 | | | | | | | | 415.00 | 110.00 | | |
| Ontario | Week ago | | | | | (2) 108.46 | | | | | | | | 425.00 | 110.00 | | |
| London | This week | FOB | | | | | | | | 71.00 | | | | 415.00 | | | |
| Ont. | Week ago | | | | | | | | | 70.50 | | | | 425.00 | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | 415.00 | 110.00 | | |
| Ont. | Week ago | | | | | | | | | | | | | 425.00 | 110.00 | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | | | | | | | | | | | |
| Que. | Week ago | | | | | | | | | | | | | | | | |
| Trois-Riv. | This week | In-store | (1) 144.50 | | 136.60 | (2) 133.65 | | | | | | | | | | | |
| Que. | Week ago | | (1) 143.40 | | 137.50 | (2) 134.34 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | (1) 142.50 | 120.00 | 128.68 | (2) 124.99 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | (1) 141.65 | 122.50 | 130.33 | (2) 125.29 | | | | | | | | | | | |
| Quebec | This week | In-store | (1) 144.50 | | 134.50 | (2) 132.83 | FOB | 281.20 | | | | | | | | | |
| Que. | Week ago | | (1) 142.07 | | 134.90 | (2) 131.33 | | 276.27 | | | | | | | | | |
| Truro | This week | Track | (1) 165.93 | 195.60 | 161.37 | (2) 161.00 | FOB | 308.41 | 189.30 | | 293.50 | | 493.00 | | | | 397.05 |
| N.S. | Week ago | | (1) 165.56 | 195.60 | 160.50 | (2) 161.52 | | 303.57 | 185.80 | | 310.00 | | 498.00 | | | | 397.05 |
| Truro | This week | Water | (1) 165.00 | | N/A | 157.50 | | | | | | | | | | | |
| N.S. | Week ago | & Truck | (1) 165.55 | | N/A | N/A | | | | | | | | | | | |
| Halifax | This week | In-store | (1) 152.85 | | N/A | 144.90 | FOB | | | 255.25 | | | | | | | |
| N.S. | Week ago | | (1) 159.55 | | N/A | N/A | | 255.25 | | 255.25 | (5) 607.00 | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.4712 as of December 6, 1999

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat. No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal

| B. CASH PRICES AND REPLACEMENT VALUES | | | | As of Monday December 6, 1999 | | | |
|---------------------------------------|--------------------------|--------|-----------|-------------------------------|----|-----------|----------|
| PRAIRIE GRAINS | | | | | | | |
| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay | Track | WHEAT | 120.50 | 117.90 | | 123.00 | 146.00 |
| | | OATS | 139.50 | 134.50 | | 134.50 | N/A |
| | | BARLEY | 108.60 | 108.60 | | 110.10 | 119.80 |
| To: Bayports, Ont. | In-store | WHEAT | 142.06 | 139.46 | 1. | 144.56 | 167.56 |
| | | OATS | 168.61 | 163.61 | 1. | 163.61 | N/A |
| | | BARLEY | 135.35 | 135.35 | 1. | 136.85 | 149.55 |
| Montreal, Que. | In-store | WHEAT | 147.13 | 144.53 | 1. | 149.63 | 172.63 |
| | | OATS | 177.76 | 172.76 | 1. | 172.76 | N/A |
| | | BARLEY | 140.40 | 140.40 | 1. | 141.90 | 151.60 |
| Moncton, N.B | Truck via Halifax | WHEAT | 168.38 | 165.78 | | 170.88 | 193.88 |
| | | OATS | 202.02 | 197.02 | | 197.02 | N/A |
| | | BARLEY | 161.93 | 161.93 | | 163.43 | 173.13 |
| Truro, N.S. | Truck via Halifax | WHEAT | 165.88 | 163.28 | | 168.38 | 191.38 |
| | | OATS | 199.52 | 194.52 | | 194.52 | N/A |
| | | BARLEY | 159.43 | 159.43 | | 160.93 | 170.63 |
| Halifax, N.S. | In-store | WHEAT | 155.69 | 153.09 | 1. | 158.19 | 181.19 |
| | | OATS | 187.58 | 182.58 | 1. | 182.58 | N/A |
| | | BARLEY | 148.44 | 148.44 | 1. | 149.94 | 159.64 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 215.43 | 212.83 | | 217.93 | 240.93 |
| | | OATS | 245.15 | 240.15 | | 240.15 | N/A |
| | | BARLEY | 211.27 | 211.27 | | 212.77 | 222.47 |
| From: Melfort, Sask. | FOB | WHEAT | 108.50 | 102.90 | | 108.00 | 129.70 |
| | | OATS | 115.00 | 110.00 | | 110.00 | 120.00 |
| | | BARLEY | 97.60 | 95.10 | | 96.60 | 110.20 |
| To: Bayports, Ont. | Track | WHEAT | 164.60 | 159.00 | | 164.10 | 185.80 |
| | | OATS | 180.37 | 175.37 | | 175.37 | 185.37 |
| | | BARLEY | 154.40 | 151.90 | | 153.40 | 167.00 |
| Montreal, Que. | Track | WHEAT | 165.36 | 159.76 | | 164.86 | 186.56 |
| | | OATS | 181.27 | 176.27 | | 176.27 | 186.27 |
| | | BARLEY | 155.22 | 152.72 | | 154.22 | 167.82 |
| Moncton, N.B. | Track | WHEAT | 186.53 | 180.93 | | 186.03 | 207.73 |
| | | OATS | 204.34 | 199.34 | | 199.34 | 209.34 |
| | | BARLEY | 176.78 | 174.28 | | 175.78 | 189.38 |
| Truro, N.S. | Track | WHEAT | 186.70 | 181.10 | | 186.20 | 207.90 |
| | | OATS | 207.78 | 202.78 | | 202.78 | 212.78 |
| | | BARLEY | 177.79 | 175.29 | | 176.79 | 190.39 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 230.03 | 224.43 | | 229.53 | 251.23 |
| | | OATS | 252.69 | 247.69 | | 247.69 | 257.69 |
| | | BARLEY | 226.09 | 223.59 | | 225.09 | 238.69 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 114.42 | 113.43 | | 115.18 | 131.65 |
| To: Montreal, Que. (US Corn) | In-store | | 132.42 | 131.43 | 1. | 133.18 | 149.65 |
| From: Saginaw (Mi) | Track | | 110.93 | 111.12 | | 110.58 | 125.61 |
| To: Montreal, Que. (US Corn) | Track | | 143.23 | 143.42 | | 142.88 | 157.91 |
| From: Chatham | Track | | 113.18 | 111.90 | | 114.56 | 117.32 |
| To: Montreal, Que. | Track | | 137.73 | 136.45 | | 139.11 | 141.87 |

| | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 260.69 | 252.76 | | 267.53 | 271.28 |
| To: Montreal, Que. | Track | | 284.36 | 276.43 | | 291.20 | 294.95 |
| Moncton, N.B. | Track | | 301.71 | 293.78 | | 308.55 | 312.30 |
| Truro, N.S. | Track | | 304.85 | 296.92 | | 311.69 | 315.44 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 352.15 | 344.22 | | 358.99 | 362.74 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

December 24, 1999

Vol. 12 No. 24

SOYBEANS: SITUATION AND OUTLOOK

For 1999-2000, world soybean supplies are expected to decrease slightly as higher carry-in stocks are offset by lower production. Global soybean crush is forecast to increase to a record due to favourable crush margins. Carry-out stocks are projected to decrease marginally from 1998-1999. World trade in soybeans is expected to rebound from the lows of 1998-1999 as exports from the US and Brazil increase at the expense of Argentina. Prices are expected to continue to be pressured by large supplies in the US and South America. For Canada, production is expected to decrease slightly from 1998-1999 while an increase in exports and domestic crush is projected to result in higher imports. Canadian soybean prices are expected to be pressured downward by lower US soybean prices and appreciation of the Canadian dollar. For 2000-2001, average US soybean prices are expected to decrease due to large supplies in the US and South America.

SITUATION

Soybean production represents about 55 percent of the world's output of the top 7 oilseeds (soybeans, cottonseed, peanuts, sunflowerseed, rapeseed/canola and palm kernel). For 1999-2000, global area seeded to soybeans decreased by 0.56 million hectares (mln ha), to 70.1 mln ha due to the low prices for vegetable oil and protein meal in 1998-1999. Average yields are also expected to decline to 2.2 tonnes per hectare (t/ha) from 2.24 t/ha in 1998-1999. As a result, world soybean production, is expected to decline by 4.6 million tonnes (Mt), to 154.3 Mt for 1999-2000 which will offset the 2.7 Mt increase in carry-in stocks so that global supplies decrease slightly.

Global crush of soybeans is projected to increase slightly, to 133.3 Mt, as the slight rebound in soymeal prices offsets the decline in soyoil prices and supports crush margins. World **soymeal** prices are being supported by strong demand. However, **soyoil** prices continue to be pressured by the 5 percent increase in expected world edible oil production, to a record 85.6 Mt. Soyoil output is expected to remain steady at 24.1 Mt while the production of canola/rapeseed oil and palm oil rises. As the result of increased demand relative to supply, carry-out stocks of soybeans are expected to tighten to 22.8 Mt, down from 24.3 Mt for 1998-1999.

Record US Supplies Expected

The **area seeded** to soybeans in the US rose by almost one mln ha for 1999-2000, as producers took advantage of the generous marketing loan rate of US\$5.26 per bushel (/bu) {Cdn\$275 per tonne (t)} which was about US\$0.26/bu above the average on-farm price for 1998-1999.

According to the USDA, the area seeded to soybeans should have declined by 6 percent in 1999-2000 due to low market prices, instead of rising. However, forecasts of soybean production were scaled back from early estimates due to dry growing conditions across the major growing states with the Ohio Valley and the South Eastern regions hit the hardest. As a result, yields declined to 2.47 t/ha compared to 2.62 t/ha in 1998-1999 and the five-year average of 2.52 t/ha. Soybean **production** is expected to decline slightly but total supplies are estimated to rise due to increased carry-in stocks. Total soybean **consumption** is expected to set a record as both domestic use and exports increase from 1998-1999 levels. The US crushing of soybeans is expected to increase slightly to a record 43.8 Mt due to stronger prices for soymeal.

SOYBEANS: SUPPLY & DISPOSITION

| | 1997 -1998 | 1998 -1999e | 1999 -2000f |
|---|---------------|----------------|----------------|
|million tonnes..... | | | |
| WORLD (October-September) | | | |
| Carry-in Stocks | 13.5 | 21.6 | 24.3 |
| Production | 158.1 | 158.9 | 154.3 |
| Total Supply | 171.6 | 180.5 | 178.6 |
| Crush | 126.0 | 132.7 | 133.3 |
| Other | 24.0 | 23.5 | 22.5 |
| Total Domestic Use | 150.0 | 156.2 | 155.8 |
| Carry-out Stocks | 21.6 | 24.3 | 22.8 |
| Trade | 40.5 | 40.0 | 41.0 |
| UNITED STATES (September-August) | | | |
| Carry-in Stocks | 3.6 | 5.4 | 9.5 |
| Production | 73.2 | 74.6 | 72.8 |
| Imports | 0.2 | 0.1 | 0.1 |
| Total Supply | 77.0 | 80.1 | 82.4 |
| Crushing | 43.5 | 43.3 | 43.8 |
| Other | 4.4 | 4.5 | 4.3 |
| Total Domestic Use | 47.9 | 47.8 | 48.1 |
| Exports | 23.7 | 22.8 | 23.5 |
| Carry-out Stocks | 5.4 | 9.5 | 10.8 |
| CANADA (September-August) | | | |
| Carry-in Stocks | 0.08 | 0.19 | 0.25 |
| Production | 2.74 | 2.74 | 2.76 |
| Imports | 0.15 | 0.25 | 0.40 |
| Total Supply | 2.97 | 3.18 | 3.41 |
| Crushing | 1.58 | 1.58 | 1.80 |
| Other | 0.43 | 0.48 | 0.46 |
| Total Domestic Use | 2.01 | 2.06 | 2.26 |
| Exports | 0.77 | 0.87 | 0.90 |
| Carry-out Stocks | 0.19 | 0.25 | 0.25 |

e: USDA and AAFC December 1999 estimates

f: USDA and AAFC December 1999 forecasts

Source: USDA, Statistics Canada, AAFC

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

Canada

Exports are expected to increase as the US regains some of the export markets lost to South America. Since 1997-1998, Asia and Mexico have replaced Europe as the major importer of US soybeans. Asia's demand for soybeans has increased due to improved economic performance and the regions shift to importing raw oilseeds for domestic processing instead of buying the edible oils and protein meal. Demand from Europe has decreased due to increased EU production of oilseeds, increased competition from South America and increased concern in the EU over genetically modified (GM) soybeans. Mexico is now the second largest importer of US soybeans, after Japan.

US **soymeal** production is forecast to increase by 0.4 Mt, to 34.7 Mt. Domestic feed use is expected to increase due to lower protein meal prices and exports are expected to increase slightly to 6.7 Mt, lower than the peak export pace of 8.5 Mt set in 1997-1998. Exports to Asia will be constrained by China's policy of importing seed rather than processed oil resulting in a surplus of protein meal.

US **soybean** production is expected to increase marginally, to 8.2 Mt for 1999-2000, about one-third of world production. US exports are expected to be pressured by burdensome world palm oil and canola/rapeseed oil supplies. US domestic demand is projected to rise to 7.2 Mt versus 7.1 Mt in 1998-1999.

Brazil

For 1999-2000, production of soybeans in Brazil is expected to remain steady at 31.0 Mt as seeded area and yields remain unchanged. The devaluation of the real during January 1999 has partially offset the decline in soybean prices for Brazilian producers. However, the devaluation, which initially spurred exports at the expense of the US, is expected to result in higher input costs. As a result, yields are expected to decrease as producers scale back on pesticide and fertilizer use. Concerns that dry seeding conditions could reduce yields and the area seeded to soybeans have been eased by widespread moisture received across key growing regions early in the season.

Supplies of soybeans are expected to decline marginally to 37.4 Mt as slightly lower carry-in stocks supplement unchanged production. Exports are projected to increase by 0.5 Mt, to 9.4 Mt as the EU increases purchases of non-GM

soybeans. Brazilian crushing of soybeans is also projected to increase slightly, despite the industry difficulties, to 20.8 Mt. As a result, carry-out stocks are forecast to tighten by 0.7 Mt to 5.7 Mt for 1999-2000.

However, several Brazilian crushing plants are expected to close due to increased competition from new crushing plants and improved rail and river transport in Argentina. The elimination of differential export taxes has resulted in Brazil switching from being a major exporter of soymeal to becoming a major exporter of raw soybeans.

Argentina

For 1999-2000, **area seeded** is forecast to increase but **yields** are expected to decrease due to lower input use as producers are squeezed between relatively low soybean prices and a sharp increase in the price of fertilizers, pesticides and fuel. As a result, production is forecast to decline to 18.5 Mt from 19.5 Mt estimated for 1998-1999. Exports are forecast to decline by almost 10 percent to 2.8 Mt while domestic processing is projected to remain steady at 17.6 Mt.

Since 1995-1996, Argentina has become the world's largest exporter of **soymeal** and **soybean** and is expected to make up 35 percent and 42 percent of world trade in the two commodities, respectively, for 1999-2000. The expansion in meal and oil exports is a result of differential taxes favouring the export of soy products over raw seed. The increase in exports is also the result of economic changes. The convertibility plan, initiated in May 1991, pegged the peso to the US dollar and led to a significant reduction in inflation and increased economic stability. For **soymeal**, production, exports and domestic use of soymeal are expected to be similar to 1998-1999. For **soybean**, production is forecast to increase slightly while exports decline marginally and domestic consumption remains similar to 1998-99 resulting in a slight increase in carry-out stocks.

China

For 1999-2000, Chinese soybean **production** is forecast to decrease by 1.0 Mt to 14 Mt due to a 5 percent decline in **seeded area**, to 7.8 mln ha and a decrease in yields to 1.79 t/ha versus 1.83 t/ha the previous year. Total **supplies** are expected to decline as the increase in imports fails to offset lower production. Domestic

processing of soybeans is forecast to decline to 11.5 Mt versus 11.85 Mt in 1998-1999. **Exports** are also forecast to decrease to 0.1 Mt for 1999-2000, from 0.2 Mt the previous year.

Imports of soybeans to China are expected to increase by 12 percent to 4.3 Mt due to the loss of value added tax-free status for soymeal and to the delay in the issuing of oil import licences. This has resulted in a larger than expected shift towards the imports of soybeans and canola/rapeseed at the expense of protein meals and edible oils. Palm oil trade is expected to remain stable.

Imports have been driven by an increase in crushing caused by higher demand for oil and by improved soymeal prices after the implementation of a value-added tax on imported soymeal. According to USDA, the largest beneficiary has been Argentina, whose soybeans are gaining favour due to their high oil content and yellow colour.

Canada

Soybean **production** rose marginally in 1999-2000 due to an increase in **seeded area** which offset marginally lower **yields**, which declined by 0.02 t/ha to 2.77 t/ha, due to dry conditions across Ontario during the summer. **Supplies** of soybeans are forecast to increase by about 7 percent as higher **carry-in stocks** and **imports** complement higher output.

Demand for Canadian soybeans is expected to be strong in because of increased **crush** volumes and higher **exports**. Domestic processing is projected to increase to a record high as crushers switch to soybeans from canola due to

CANADIAN SOYBEAN EXPORTS by Country of Destination

| | 1996 -1997 | 1997 -1998 | 1998 -1999 | 1999 -2000f |
|---------------------------|---------------|---------------|---------------|----------------|
|thousand tonnes..... | | | | |
| Japan | 62 | 63 | 76 | 100 |
| Hong Kong | 31 | 25 | 28 | 30 |
| Malaysia | 19 | 21 | 83 | 100 |
| United States | 48 | 135 | 102 | 100 |
| Netherlands | 30 | 88 | 97 | 100 |
| Germany | 8 | 17 | 73 | 90 |
| Denmark | 0 | 8 | 59 | 80 |
| Spain | 35 | 35 | 91 | 100 |
| Iran | 0 | 0 | 151 | 100 |
| Other | 245 | 377 | 108 | 100 |
| Total | 478 | 769 | 868 | 900 |

f: forecast, Agriculture and Agri-Food, December 1999
Source: TIERS, Statistics Canada

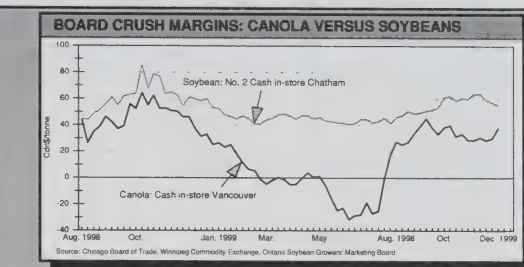
more profitable crush margins. Exports of Canadian soybeans are also expected to rise to near record or highs as exporters aggressively target niche markets. Exports to the EU and Asia are expected to represent about 50 and 25 percent respectively. Seventeen percent of Canadian soybean exports are projected for the US with the remainder destined for other markets.

Canadian soybean exporters are currently world leaders in developing an Identity Preserved (IP) marketing chain which ensures traceability of product from consumer back to the producer. As a result of developing IP marketing, Canada has increased exports into the EU by ensuring that soybeans are non-genetically modified organisms (GMO) and that shipments can be traced. Further advances in IP marketing hinges upon the adoption of a form of testing similar to Rapid Instrumental Objective Testing (RIOT) to confirm the GM status of soybeans. RIOT technology is currently in the developmental phases for wheat and barley as a joint project of various grain industry organizations.

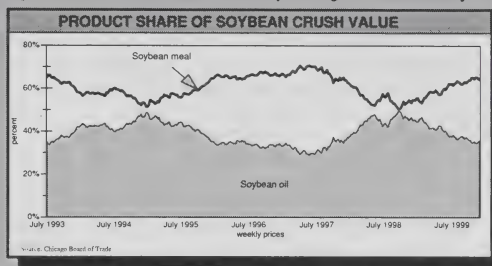
Due to the strong pace of crush and exports for 1999-2000, domestic supplies are expected to become tight, requiring increased imports of US soybeans for crushing. This is expected to tighten the basis, supporting Canadian prices vis-a-vis the Chicago Board of Trade (CBOT) cash price by about \$5-10/t above the 1998-1999 basis.

Prices

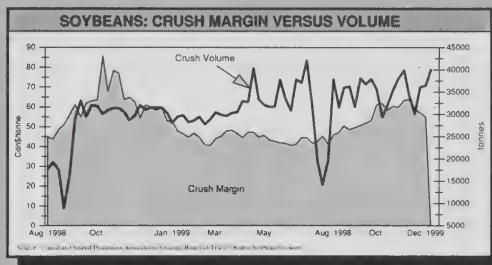
US on-farm prices for soybeans are projected by the USDA to decline to US\$4.45-4.95/bu (US\$165-185/t), versus US\$175-193/t for 1998-1999 and the five-year average of US\$203/t. By contrast, soy meal prices are expected to rise to US\$150-182/t, versus US\$145/t in 1998-1999 and the five-year average



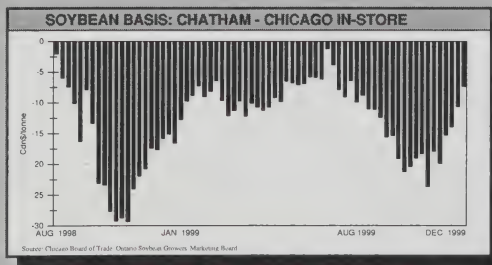
The soybean crush margin has strengthened since the mid-summer lows of 1999 due to higher soy meal and lower soybean prices which offset a decline in the price of soy oil. The canola and soy oil crush margins diverged sharply during the summer of 1999 due to weak edible oil prices. The soybean crush is expected to continue strong throughout 1999-2000 due to relatively strong demand for soy meal.



The value of soy meal in soybean crushing has increased to about 65 percent from lows of 50 percent in 1998. The value of soy oil has declined to under 40 percent by November 1999, down from almost 50 percent in July 1998. Crush volumes are expected to be more sensitive to changes in soy meal prices for 1999-2000.



The soybean crush has been averaging a record pace of around 35,000 tonnes per week to-date for 1999-2000 as Canadian crushers take advantage of strong crush margins.



The Chatham-Chicago cash basis has tightened to a negative value of \$5-10/t for December 1999 vs -\$20/t for December 1998. The strong export and crush pace is expected to tighten the basis into the -\$5 to -\$10/t range, supporting domestic prices vis-a-vis CBOT soybeans.

of about US\$230/t. However, soy oil prices are projected to decline by almost 20 percent to US\$0.155-0.180/lb for 1999-2000 versus the five-year average of US\$0.24/lb.

Chatham cash soybean prices are expected to decline to \$230-270/t for 1999-2000, from \$266/t the previous year, as a result of lower US prices and appreciation of the Canadian dollar. Offsetting support will be provided by a tighter Chicago cash-Chatham basis.

OUTLOOK: 2000-2001

Global seeded area for soybeans is expected to increase slightly for 2000-2001. In the **US**, the area seeded to soybeans is expected to increase by about 0.4 mln ha to around 30.5 mln ha as producers respond to the US marketing loan rate of around US\$5.26/bu (about Cdn\$275/t). For **Brazil** and **Argentina**, the area seeded to soybeans is expected to decline modestly due to low prices and higher input costs. World soybean production is expected to increase by about 2 percent to 157-158 Mt as higher yields complement the increase in seeded area. As a result, supplies are expected to increase by 1-2 Mt to about 180 Mt as the increase in production offsets a slight decline in carry-in stocks.

World soybean **crush** is forecast to increase in 2000-2001. In the **US**, the soybean crush is forecast to increase by 65 mln bu to almost 1.7 billion bushels. However, consolidation of the **Brazilian** and possibly the **Chinese** crushing sector is expected to decrease crushing in those two countries. Soybean crush in Argentina is forecast to be steady as a result of steady soybean supplies.

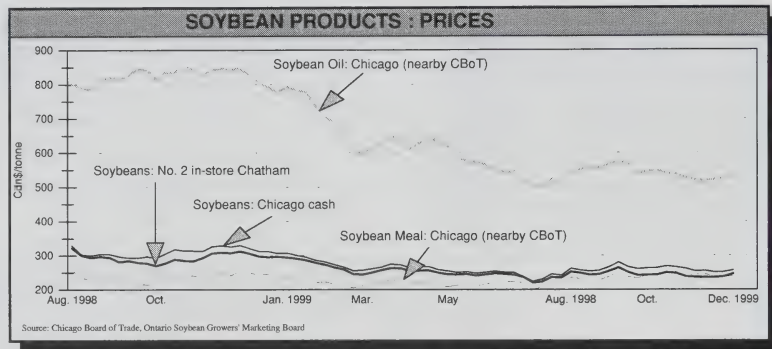
World edible oil production is projected to increase for 2000-2001 and continue to pressure prices. The output of soy oil is projected to increase slightly due

to the increase in crushing volumes while palm oil production is forecast to rise above the 20.6 Mt forecast for 1999-2000. Rapeseed/canola oil output is expected to decline beneath 14 Mt due to a decrease in raw seed supplies and poor crush margins.

Global protein meal production is projected to increase slightly, to over 170 Mt, as higher output of soymeal offsets a decline in rape/canola meal and sunflowerseed meal for 2000-2001. In the US, production of soymeal is forecast at a record 40 Mt. Prices of soymeal are expected to be steady or slightly stronger due to increased livestock feeding.

For the medium-term, EU imports of soybeans and soymeal are forecast to increase as amendments to Agenda 2000 are expected to reduce the area seeded to oilseeds by 2005. The major amendment is reducing the area payments for oilseeds to the same level as cereals. This is expected to result in a major shift into cereal production at the expense of rapeseed/canola, flaxseed and soybeans. This will support oilseed and protein meal imports.

Over the long-term, world demand for soybeans is expected to increase with population and income growth. Most of the increase in demand from soybeans will result from increased meat consumption. With the exception of the Cerrados region in Brazil and possibly the Chernozen soil zones in Ukraine and Russia there are no more large tracts of empty or under-utilized land left to develop. Increased production will have to come from improved yields, particularly in the developing nations. Increased yields of 1.0-1.5 percent per year should be



sufficient to meet demand.

In Brazil, road construction and improved river and rail transportation - to increase access to the Cerrados region - are expected to reduce freight costs by 40-50 percent from the current US\$50/t, CIF Rotterdam. Area seeded to soybeans in this region could increase from 6 mln ha to about 40 mln ha as a result of improvements in infrastructure.

While consumers in the EU are engaged in a backlash against GM soybeans, the developing world is counting on GM foods for economic development and to improve the quality of human diets.

India is forecast to become the world's largest population by 2050 and a major goal of its government is to improve the diet of children under six years of age by increased production of soymilk.

For more information please contact:

Chris Beckman,
Oilseeds Analyst
Phone: (204) 984-4929
E-mail: beckmac@em.agr.ca

GREETINGS OF THE SEASON AND BEST WISHES FOR THE NEW YEAR!

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500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

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CANADA ADOPTING AN IDENTITY PRESERVATION (IP) SYSTEM TO EXPORT SOYBEANS

Soybean exporters are expanding and enhancing the present IP grain handling system, which has existed in Canada for well over 10 years. It segregates commodities by specific characteristics and ensures accountability from the consumer plate back to the farm gate. The expansion of the IP grain marketing network takes advantage of the current consumer backlash against GM foods and a lack of faith in food regulatory agencies. IP assures that Canada can deliver non-GM soybeans, within a 1-2 percent tolerance, to our customers, while providing producers the choice of growing either GM or non-GM soybeans. At the same time IP assures consumers that their concerns over food safety are being taken seriously.

Meanwhile, premiums of US\$3-5/t have been reportedly paid for non-GM US soybeans while importers have paid premiums of US\$18-22/t. This reflects the consumer backlash against GM foods in both Asia and Europe, but Japan is ahead of the EU in building a two-tiered market that segregates the non-GM and the GM soybeans. Producers in the US, where almost 60 percent of soybean production were of the GM varieties in 1999-2000, began to segregate GM and non-GM soybeans in 1999.

Some Japanese food processors intend to pass on the higher cost of segregation to the consumer while others intend to cut costs. While the two-tiered system is developing in Japan, it has to yet catch on in the EU. Three problems are slowing down the building of a two-tiered market in the EU. One is the absence of regulations due to logistical problems. The second is the lack of EU crusher demand for GM free shipments. Currently, GM soybeans are authorized for processing within the 15 member blocs and no declaration of contents is required under present labeling regulations. The third concern is whether EU consumers are willing to bear the costs of segregating soybeans.

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | As of Monday December 20, 1999 | | | | |
|---|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|--------------------------------|-------------|-------------|--------------|--------------|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | GLUTEN FEED | DEHY ALFALFA | FEATHER MEAL |
| Vancouver B.C. | This week | FOB | (1) 131.66 | N/A | 130.66 | (3) 152.00 | | 276.75 | 177.50 | 109.00 | 310.00 | (4) 600.00 | 420.00 | | | | 360.00 |
| | Week ago | | (1) 130.51 | N/A | 130.86 | (3) 146.50 | | 269.00 | 175.50 | 109.00 | 310.00 | (4) 600.00 | 420.00 | | | | 360.00 |
| Calgary Alta | This week | FOB | (1) 108.50 | 100.00 | 107.50 | (3) 132.00 | | 270.00 | 160.00 | | 260.00 | (4) 650.00 | 540.00 | | | | 355.00 |
| | Week ago | | (1) 107.35 | 100.00 | 107.70 | (3) 132.00 | | 268.75 | 158.00 | | 260.00 | (4) 650.00 | 540.00 | | | | 355.00 |
| Saskatoon | This week | FOB | (1) 100.00 | 93.00 | 88.50 | (3) 114.00 | | 259.00 | 158.00 | | 260.00 | (4) N/A | 540.00 | | | | 385.00 |
| Sask. | Week ago | | (1) 101.50 | 96.00 | 90.00 | (3) 114.00 | | 257.75 | 158.00 | | 260.00 | (4) N/A | 540.00 | | | | 385.00 |
| Melfort | This week | FOB | (1) 106.80 | 111.00 | 94.50 | | | | | | | | | | | | |
| Sask. | Week ago | | (1) 107.00 | 111.00 | 94.00 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | (1) 97.15 | 98.88 | 91.34 | (3) 106.00 | | 241.50 | 158.00 | | 260.00 | (4) 875.00 | 430.00 | | | | 320.00 |
| Man. | Week ago | | (1) 93.35 | 103.26 | 92.65 | (3) 106.00 | | 240.25 | 158.00 | | 270.00 | (4) 875.00 | 430.00 | | | | 320.00 |
| Thunder Bay | This week | Track | (1) 119.80 | 135.00 | 108.00 | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 120.00 | 135.00 | 107.50 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | (3) 112.56 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | (3) 112.47 | | | | | | | | | | | |
| Bay Ports | This week | In-store | (1) 139.55 | 148.50 | 126.00 | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 139.75 | 150.50 | 125.50 | | | | | | | | | | | | |
| Chatham | This week | Track | | | | (2) 110.82 | | | | | | | | | | | |
| Ont. | Week ago | | | | | (2) 111.12 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 259.00 | (5) N/A | 500.00 | 425.00 | 118.00 | 198.00 | 345.00 |
| Ont. | Week ago | | | | | | FOB | 247.36 | 166.89 | | 259.00 | (5) N/A | 500.00 | 425.00 | 118.00 | 204.00 | 360.00 |
| Hamilton | This week | N/A | | | | | FOB | 251.54 | 168.87 | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Eastern | This week | FOB | | | | (2) 109.97 | | | | | | | | 415.00 | 110.00 | | |
| Ontario | Week ago | | | | | (2) 106.83 | | | | | | | | 415.00 | 110.00 | | |
| London | This week | FOB | | | | | | | | | | | | 415.00 | | | |
| Ont. | Week ago | | | | | | | | | | | | | 415.00 | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | 415.00 | 110.00 | | |
| Ont. | Week ago | | | | | | | | | | | | | 415.00 | 110.00 | | |
| Cardinal | This week | FOB | | | | | | | | | | | | 415.00 | 110.00 | | |
| Ont. | Week ago | | | | | | | | | | | | | 415.00 | 110.00 | | |
| Montreal | This week | | | | | | FOB | 271.11 | 170.32 | 113.00 | 259.00 | (5) 760.00 | 375.00 | 425.00 | 120.00 | 210.00 | 370.00 |
| Que. | Week ago | | | | | | | 272.42 | 169.11 | 109.00 | 259.00 | (5) 760.00 | 375.00 | 425.00 | 120.00 | 210.00 | 370.00 |
| Trois-Riv. | This week | In-store | (1) 144.80 | | 137.00 | (2) 133.65 | | | | | | | | | | | |
| Que. | Week ago | | (1) 144.00 | | 131.50 | (2) 132.37 | | | | | | | | | | | |
| St-Jean Que. | This week | FOB | (1) 140.85 | 119.50 | 129.25 | (2) 124.56 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | (1) 142.23 | 120.00 | 127.25 | (2) 124.50 | | | | | | | | | | | |
| Quebec | This week | In-store | (1) 145.30 | | 133.00 | (2) 132.47 | FOB | 275.65 | | | | | | | | | |
| Que. | Week ago | | (1) 145.50 | | 132.50 | (2) 132.51 | | 274.47 | | | | | | | | | |
| Truro | This week | Track | (1) 169.76 | 195.60 | 159.34 | (2) 159.53 | FOB | 306.61 | 187.08 | | 293.50 | | 493.00 | | | | 397.05 |
| N.S. | Week ago | | (1) 169.83 | 195.60 | 159.27 | (2) 159.21 | | 306.59 | 189.55 | | 293.50 | | 493.00 | | | | 397.05 |
| Truro | This week | Water | (1) 162.50 | N/A | 154.45 | | | | | | | | | | | | |
| N.S. | Week ago | & Truck | (1) 162.00 | N/A | N/A | 154.85 | | | | | | | | | | | |
| Halifax | This week | In-store | (1) 150.85 | N/A | N/A | 142.35 | FOB | | | 255.25 | | (5) 590.00 | | | | | |
| N.S. | Week ago | | (1) 150.35 | N/A | N/A | 142.76 | | | | 255.25 | | (5) 565.00 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section;

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available. US \$1=Can \$1.4797 as of December 20, 1999

Footnotes: All prices in Canadian dollars, per metric tonne. Grain grades are Western or Eastern Feed Wheat No. 1 Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWSR (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal

| B. CASH PRICES AND REPLACEMENT VALUES | | | | As of Monday December 20, 1999 | | | | |
|---------------------------------------|---------------------|--------------------------|--------|--------------------------------|----------|----|-----------|----------|
| PRAIRIE GRAINS | | | | | | | | |
| SELECTED POINT | | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: | Thunder Bay | Track | WHEAT | 119.80 | 120.00 | | 119.00 | 144.00 |
| | | | OATS | 135.00 | 135.00 | | 134.50 | N/A |
| | | | BARLEY | 108.00 | 107.50 | | 108.40 | 121.30 |
| To: | Bayports, Ont. | In-store | WHEAT | 141.36 | 141.56 | 1. | 140.56 | 165.56 |
| | | | OATS | 164.11 | 164.11 | 1. | 163.61 | N/A |
| | | | BARLEY | 134.75 | 134.25 | 1. | 135.15 | 148.05 |
| | Montreal, Que. | In-store | WHEAT | 146.43 | 146.63 | 1. | 145.63 | 170.63 |
| | | | OATS | 173.26 | 173.26 | 1. | 172.76 | N/A |
| | | | BARLEY | 139.80 | 139.30 | 1. | 140.20 | 153.10 |
| | Moncton, N.B | Truck via Halifax | WHEAT | 167.68 | 167.88 | | 166.88 | 191.88 |
| | | | OATS | 197.52 | 197.52 | | 197.02 | N/A |
| | | | BARLEY | 161.33 | 160.83 | | 161.73 | 174.63 |
| | Truro, N.S. | Truck via Halifax | WHEAT | 165.18 | 165.38 | | 164.38 | 189.38 |
| | | | OATS | 195.02 | 195.02 | | 194.52 | N/A |
| | | | BARLEY | 158.83 | 158.33 | | 159.23 | 172.13 |
| | Halifax, N.S. | In-store | WHEAT | 154.99 | 155.19 | 1. | 154.19 | 179.19 |
| | | | OATS | 183.08 | 183.08 | 1. | 182.58 | N/A |
| | | | BARLEY | 147.84 | 147.34 | 1. | 148.24 | 161.14 |
| | Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 214.73 | 214.93 | | 213.93 | 238.93 |
| | | | OATS | 240.65 | 240.65 | | 240.15 | N/A |
| | | | BARLEY | 210.67 | 210.17 | | 211.07 | 223.97 |
| From: | Melfort, Sask. | FOB | WHEAT | 106.80 | 107.00 | | 104.00 | 131.50 |
| | | | OATS | 111.00 | 111.00 | | 110.00 | 115.85 |
| | | | BARLEY | 94.50 | 94.00 | | 94.90 | 111.50 |
| To: | Bayports, Ont. | Track | WHEAT | 162.90 | 163.10 | | 160.10 | 187.60 |
| | | | OATS | 176.37 | 176.37 | | 175.37 | 181.22 |
| | | | BARLEY | 151.30 | 150.80 | | 151.70 | 168.30 |
| | Montreal, Que. | Track | WHEAT | 163.66 | 163.86 | | 160.86 | 188.36 |
| | | | OATS | 177.27 | 177.27 | | 176.27 | 182.12 |
| | | | BARLEY | 152.12 | 151.62 | | 152.52 | 169.12 |
| | Moncton, N.B. | Track | WHEAT | 184.83 | 185.03 | | 182.03 | 209.53 |
| | | | OATS | 200.34 | 200.34 | | 199.34 | 205.19 |
| | | | BARLEY | 173.68 | 173.18 | | 174.08 | 190.68 |
| | Truro, N.S. | Track | WHEAT | 185.00 | 185.20 | | 182.20 | 209.70 |
| | | | OATS | 203.78 | 203.78 | | 202.78 | 208.63 |
| | | | BARLEY | 174.69 | 174.19 | | 175.09 | 191.69 |
| | Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 228.33 | 228.53 | | 225.53 | 253.03 |
| | | | OATS | 248.69 | 248.69 | | 247.69 | 253.54 |
| | | | BARLEY | 222.99 | 222.49 | | 223.39 | 239.99 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|---|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 112.56 | 112.47 | | 112.98 | 130.27 |
| To: Montreal, Que. (US Corn) | In-store | | 130.56 | 130.47 | 1 | 130.98 | 148.27 |
| From: Saginaw (Mi) | Track | | 109.65 | 107.81 | | 107.22 | 125.41 |
| To: Montreal, Que. (US Corn) | Track | | 141.95 | 140.11 | | 139.52 | 157.71 |
| From: Chatham | Track | | 110.82 | 111.12 | | 113.08 | 119.38 |
| To: Montreal, Que. | Track | | 135.37 | 135.67 | | 137.63 | 143.93 |

| | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 247.36 | 251.54 | | 254.52 | 262.57 |
| To: Montreal, Que. | Track | | 271.03 | 275.21 | | 278.19 | 286.24 |
| Moncton, N.B. | Track | | 288.38 | 292.56 | | 295.54 | 303.59 |
| Truro, N.S. | Track | | 291.52 | 295.70 | | 298.68 | 306.73 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 338.82 | 343.00 | | 345.98 | 354.03 |

1. Prices include one month of storage and interest charges n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

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** Includes Canadian Special Crops Situation and Outlook and Supply & Disposition Table

The Bi-weekly Bulletin is published in Winnipeg by the Policy Branch, Agriculture and Agri-Food Canada.
To receive back issues, please contact:
Market Analysis Division, 500-303 Main St., Winnipeg, Manitoba, R3C 3G7
Telephone: (204) 983-8473 Fax: (204) 983-5524

Market Analysis Division

500-303 Main Street

Winnipeg, Manitoba R3C 3G7

Fax: (204) 983-5524

Website: <http://www.agr.ca/policy/winn/biweekly/index.htm>

CONTACT LIST:

| | | |
|-----------------|---|----------------|
| Maggie Liu | Director email: lium@em.agr.ca | (204) 983-8468 |
| Fred Oleson | Chief, Market Analysis email: olesonf@em.agr.ca | (204) 983-0807 |
| Glenn Lennox | Wheat Analyst email: lennoxg@em.agr.ca | (204) 983-8465 |
| Chris Beckman | Oilseeds Analyst email: beckmac@em.agr.ca | (204) 984-4929 |
| Stan Skrypetz | Special Crops Analyst email: skrypetzs@em.agr.ca | (204) 983-8972 |
| Deanna Harrison | Market Analyst email: harrisond@em.agr.ca | (204) 983-8474 |
| Bobby Morgan | Market Analyst email: morganb@em.agr.ca | (204) 984-0680 |
| Blair Cantafio | Desktop Publishing Technician email: cantafiob@em.agr.ca | (204) 983-8473 |
| Roberta Brooks | Secretary email: brooksrr@em.agr.ca | (204) 983-8471 |
| Vera Wiebe | Clerk email: wiebev@em.agr.ca | (204) 984-0976 |

Bi-weekly Bulletin

January 7, 2000

Vol. 13 No. 1

WORLD AND CANADIAN MARKET OUTLOOK FOR GRAINS AND OILSEEDS IN 2000-2001

World wheat prices are expected to remain relatively unchanged from the low levels of 1999-2000 due to a continuation of burdensome world stocks, particularly in the US. For higher grades of Canada Western Red Spring (CWRS), prices are expected to decrease from 1999-2000, due to lower spring wheat and protein premiums, but remain similar to 1999-2000 for lower quality wheat. World and Canadian coarse grain prices are expected to decrease slightly, largely due to lower US corn prices. World oilseed prices are expected to weaken, mainly due to increased supplies of soybeans and lower US soybean prices. Canadian canola and flaxseed prices are expected to decrease slightly from 1999-2000.

Area seeded in Canada is expected to shift from oilseeds into spring wheat, durum wheat and special crops. Total production of grains and oilseeds is expected to decrease due to lower yields, after favourable growing conditions in 1999-2000 led to record yields for many crops. Canadian exports of grains and oilseeds are projected to decrease in 2000-2001 due to lower exports of wheat and canola.

The market outlook for 2000-2001 is very tentative at the present time since there is a high degree of uncertainty regarding global supply and demand conditions. Normal weather patterns in the main grains and oilseeds producing areas of the world, and some appreciation of the Canadian dollar relative to the US dollar, have been assumed.

WHEAT

World

Harvested **area** is forecast by Agriculture and Agri-Food Canada (AAFC) to increase by about 3 percent, to 222 million hectares (mln ha), due to low prices for oilseeds, making wheat a relatively more attractive planting option in all major wheat exporting countries, except for the US. **Production** is forecast to increase to 600 million tonnes (Mt), compared to 584 Mt estimated for 1999-2000. **Supplies** are expected to increase by about 1 percent, to a record 731 Mt, with lower carry-in stocks only partially offsetting the higher production.

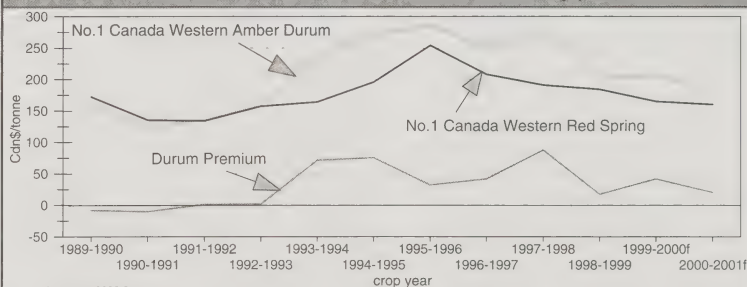
US wheat area is expected to decline slightly, with decreases in winter wheat and durum area partially offset by higher spring wheat plantings. Harvested area is forecast to rise by 1 percent, however, due to lower

abandonment, assuming normal winterkill of winter wheat. **Production** is forecast by AAFC to fall by 2 percent, to 2.26 billion bushels (bln bu), or 61.4 Mt, assuming yields decline to a trend level from the near-record 43 bushels per acre (bu/ac), or 2.87 tonnes per hectare (t/ha), in 1999-2000. Currently there is a high degree of uncertainty regarding the impacts of the warm dry weather which had recently prevailed in

the central plains of North America, including the major US Hard Red Winter (HRW) wheat growing regions. Spring wheat production, however, is expected to rise, due to a shift out of durum production. All wheat **supplies** are projected to rise by 1 percent, due to much higher carry-in stocks.

EU wheat area is forecast to increase by about 2 percent, largely due to

CANADIAN WHEAT BOARD FINAL REALIZED WHEAT PRICES (1)



f: AAFC January 2000 forecast

Source: 1978-1979 to 1998-1999: CWB final pool returns
1999-2000: December 1999 CWB PRO
2000-2001: AAFC January 2000 forecast

(1) I/S VC/TB to 1994-1995; I/S VC/SL 1995-1996 to date.



changes to oilseed subsidies which are expected to result in some oilseed area shifting into wheat. The Common Agricultural Policy cereals area set-aside remains at 10 percent, but there is expected to be some shift from barley to wheat. Assuming a trend yield of 5.94 t/ha, versus 5.72 t/ha in 1999-2000, **production** is forecast to rise by 6 percent, to a near-record 102.5 Mt. With lower carry-in stocks, EU wheat **supplies** are expected to increase by 2 percent, to 119 Mt.

World Demand

World wheat **consumption** is projected to rise to a record 597 Mt because of higher population and continued recovery in the East Asian economies. World trade is expected to remain near the 1999-2000 level of 103.6 Mt, versus the 5-year average of 101 Mt.

Carry-out stocks are projected to increase by 2 percent, as production outpaces consumption for the first time since 1997-1998. The stock-to-use ratio is expected to remain near the 1999-2000 level of 22 percent. This is a low level, but with a modern "just-in time" supply chain in place for most end users, these supplies are seen as adequate, and the relatively low stock level therefore provides little support for prices.

DURUM

World durum **area** is expected to increase due to higher prices, and **production** is forecast to rise by 13 percent, to 34 Mt. Increases in area in Canada and other major producing countries will be partially offset by a smaller area in the US. US durum area is expected to decline, despite stronger durum premiums, because of changes to the Crop Revenue Coverage (CRC) Program. The CRC will be based on actual durum futures prices, in contrast to 1999-2000 when coverage was based on an unjustifiably high premium to spring wheat, and coverage will no longer be provided outside of

traditional growing regions. However, US production is expected to rise by 20 percent, assuming a return to trend yields. World **supplies** are forecast to increase by 10 percent, to 38 Mt. **Trade** is forecast to fall by 4 percent, to 5.9 Mt, due to higher production in North Africa and the EU, the major importing regions, compared to the drought-reduced crops in these regions in 1999-2000. **Carry-out stocks** are forecast to rise by 19 percent to 4.2 Mt, the highest since 1992-1993.

PRICES: WHEAT AND DURUM

Wheat supplies in the five major wheat exporting countries are forecast to nearly equal the 1999-2000 record of 280 Mt, with carry-out stocks projected to rise by 2 percent, to 55 Mt. Export competition will remain strong, and will keep wheat prices near the low 1999-2000 levels, although those for lower quality soft red winter (SRW) and HRW wheats may strengthen slightly due to reduced US production. US Hard Winter Ordinary (HWO) wheat prices, free on board (FOB) US Gulf, are forecast to rise to an average of US\$110-120 per tonne (/t) for 2000-2001 (June-May), compared to an estimated US\$105-115/t for 1999-2000. The price for US Dark Northern Spring (DNS) wheat with 14 percent protein (DNS 14), FOB St. Lawrence, is forecast at US\$130-140/t, down about US\$5/t from 1999-2000. Premiums for spring wheat on the Minneapolis Grain Exchange are forecast to decline, based on an expected increase in US spring wheat production, and protein premiums are expected to fall, assuming a return to normal protein levels in the US HRW and spring wheat crops. Canadian CWRS wheat is generally priced competitively with US DNS 14 wheat, while lower quality Canadian wheat such as Canada Prairie Spring (CPS) is usually priced competitively with US HWO.

Durum prices are expected to decline in 1999-2000, due to larger world supplies and rising stocks. Supplies in the major exporting countries are expected to rise

by about 8 percent, and import demand is expected to decline due to decreased requirements in North Africa. The US No.3 Hard Amber Durum (HAD) price, FOB St. Lawrence, is forecast to have an average premium of about US\$10/t over DNS 14, averaging US\$140-150/t, compared to an estimated US\$150-160/t for 1999-2000 (June-May).

Export subsidies are not expected to be a significant factor in world wheat prices. The US has not used the Export Enhancement Program since June of 1995, and is currently making use of credit and food aid programs to stimulate exports, and loan deficiency payments (LDPs) to support farm prices. EU subsidies are expected to continue to just bridge the gap between the EU domestic price and the export price of comparable quality US wheat.

However, US LDPs have an impact on world prices similar to an export subsidy. The average wheat LDP for 1999-2000 has been US\$0.47 per bushel (/bu), or US\$17/t, theoretically reducing US export prices, and thus the world price, by a similar amount. The level of LDPs is expected to be similar in 2000-2001.

CANADA

For **non-durum wheat, area harvested**, is expected to rise by 1.5 percent. Although lower relative prices are expected to result in a shift of spring wheat area back into durum, lower oilseed prices are expected to result in a shift of canola and flaxseed area into spring wheat. **Production** is forecast to decrease by 9 percent, to 20.7 Mt, despite the higher expected area, assuming yields return to trend levels from the 1999 record. **Supplies** are forecast to decline by about 5 percent and domestic use is projected to decline slightly, with small increases in food use offset by lower feed use. **Exports** are expected to decline by 4 percent, to 14.2 Mt, due to lower supplies, well below the 10-year average of 16 Mt. Also, **carry-out**

stocks are projected to decline by 8 percent, to a historically low level of 5.5 Mt.

Durum area is projected to rise by 25 percent due to higher prices, especially compared to CWRS wheat. **Production** is forecast to increase by 15 percent to 4.9 Mt but this will be offset by lower carry-in stocks, and durum **supplies** are forecast to be unchanged at 6.2 Mt. **Exports** are projected to decrease slightly, to 3.8 Mt, due to decreased world import demand, particularly from North Africa, and **carry-out stocks** are expected to rise by 8 percent.

Ontario winter wheat area is expected to be similar to 1999-2000, but **production** is expected to decline, assuming yields return to normal from the record level of 1999-2000.

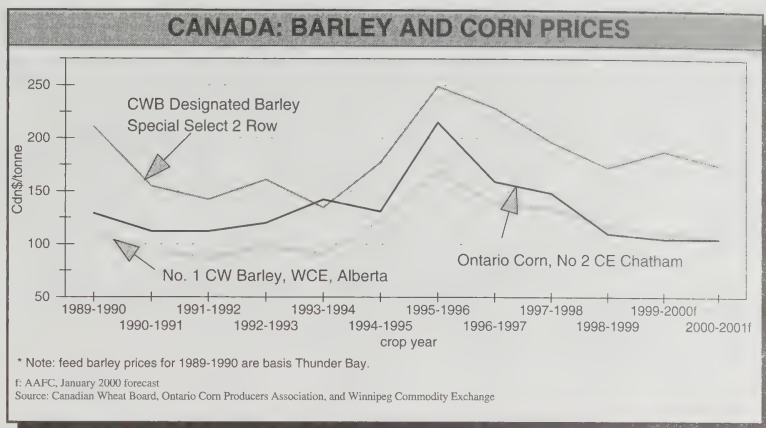
AAFC forecasts the 2000-2001 Canadian Wheat Board (CWB) pool returns for No. 1 CWRS wheat at \$145-175/t, in-store Vancouver or St. Lawrence (I/S VC/SL), with the midpoint down by \$5/t from the 1999-2000 CWB December Pool Return Outlook (PRO). However, returns for lower quality wheat, such as CPS or soft white spring wheat, are expected to be similar to those in 1999-2000, with returns for No.1 CPS red wheat forecast at \$130-160/t, compared to the 1999-2000 PRO of \$131-161/t. The 2000-2001 pool returns for No. 1 Canada Western Amber Durum (CWAD) are forecast by AAFC at \$165-195/t I/S VC/SL, compared to the 1999-2000 CWB PRO of \$192-222/t. The durum premium over spring wheat is projected at \$20/t, compared to \$42/t in 1999-2000.

For more information please contact:

Glenn Lennox
Wheat Analyst

Phone: (204) 983-8465

E-mail: lennoxg@em.agr.ca



COARSE GRAINS

World

World **production** is expected to increase by 11 Mt, or 1 percent, due mostly to an increase in barley production, but **supply** is expected to increase by 12 Mt to a record 1,042 Mt, due to higher carry-in stocks, which will pressure prices.

For **US corn**, despite low market prices in 1999-2000, **area seeded** is expected to be similar to 1999-2000 as deficiency payments have supported the US corn price at the level of the loan rate.

Production is expected to decrease marginally to 9.48 bln bu (241 Mt), based on a trend yield of 133.8 bu/ac. The 1999-2000 yield of 134.5 bu/ac was second only to the 1994-1995 yield of 138.6 bu/ac that resulted in a 10.1 bln bu crop. **Supplies** are forecast to remain burdensome, increasing by 2 percent. US feed use is forecast to be unchanged while food and industrial use increase slightly due to low prices. **Exports** are forecast to increase by about 5 percent due to increased demand from the Middle East and Asia but remain historically low, due to a loss of market share to Argentina and China. US **carry-out stocks** are forecast to increase.

In **China**, based on a small decrease in harvested **area**, and trend yields, corn **production** is forecast to remain high, similar to 1999-2000 at 125 Mt, versus

the decade average of 110 Mt. China is expected to continue to be a **net exporter** of corn due to high supplies, although exports will be pressured by increased domestic feed use related to major investments in infrastructure. **World barley** production is forecast to increase to 139 Mt, largely due to increased **area** seeded. Barley area and yields in the **FSU-12** (notably Russia, Ukraine, and Kazakhstan) have been hit hard the past two years by economic shortages and poor weather conditions, and a return to more favourable conditions is forecast.

Production in the major exporting nations is also forecast to increase in response to higher prices which were supported in 1999-2000 by tight supplies of malting barley, and low exports by Canada and Australia. **Trade** in feed barley is expected to decrease due to lower EU exports and import demand from the FSU-12, but increased imports of malting barley from Asian countries is expected. **Carry-out stocks** are forecast to increase by about 5 percent.

In the **EU**, harvested **area** is forecast to decrease by 3 percent but remain above trend. Changes in the CAP for July 1, 2000 include lower intervention prices, but higher direct area payments. While these two components of AGENDA 2000 should mostly offset each other, high carry-in stocks could shift area out of barley

and into wheat. Based on trend yields (equal to the record yield in 1998-1999 of 4.55 t/ha), **production** is expected to decrease by 2 percent to 48 Mt. Combined with a 14 percent decline in carry-in stocks, **supplies** are expected to decrease by 5 percent. **Domestic use** is not expected to change significantly, but **exports** are projected to decrease by 10 percent, to 8 Mt (grain only) due to lower supplies. **Carry-out stocks** are forecast to be down by 17 percent at about 10 Mt, and a third lower than in 1998-1999. Lower EU stock levels should pressure **export subsidies**, and support international barley prices.

In **Australia**, barley **production** is forecast to increase by about 20 percent to 5.7 Mt, based on a return to trend area and yields. **Exports** of both feed and malting barley should increase due to increased demand from Asia and the Middle East, and greater export availability.

World Demand

Consumption is forecast to increase by 2 percent due to (a) improvements in the Asian economic outlook which should increase meat and beer consumption, (b) increased production and consumption in the FSU-12 and (c) increased corn usage in the US and China. World **trade** is forecast to remain unchanged and **carry-out stocks** are forecast to decrease slightly due to increased consumption.

PRICES

The **US Gulf corn** price is forecast to decrease by US\$5/t to average about US\$80/t as US corn carry-out stocks in 2000-2001 become more burdensome. The average US farm price of corn is forecast to decrease to US\$1.75/bu from US\$1.80/bu in 1999-2000. The US Pacific Northwest (PNW) feed **barley** price is expected to remain unchanged at about US\$95/t due to strong demand and limited export supplies in North America.

CANADA

Although **area seeded** to coarse grain is forecast to remain stable, **production** is forecast to decrease by 4 percent due to a return to trend yields. **Supplies** are forecast to decrease by 2 percent despite a 7 percent increase in carry-in stocks.

Barley production is forecast to decrease marginally, as slightly higher area is more than offset by lower trend yields. **Supplies**, however, are expected to be slightly higher due to larger carry-in stocks. **Domestic use** of feed barley is expected to decrease, based on lower cattle inventories and a slower-than-expected increase in hog production in Western Canada. **Exports** of malting barley are forecast to increase. Feed barley exports are also forecast to increase due to increased exportable supplies, but remain historically very low.

Off-Board **feed barley prices** are forecast at \$90-120/t (I/S Lethbridge), versus \$100-120/t for 1999-2000, partly due to continued high carry-out stocks of 3.0 Mt compared to the long-term average of 2.6 Mt. The CWB final pool return for No. 1 CW feed barley is forecast to be similar to the 1999-2000 December PRO, at \$115-145/t I/S VC/SL, while the pool return for Special Select Two-Row **designated barley** is forecast to decrease to \$165-185/t, from \$178-198/t in 1999-2000.

For **oats**, **production and supply** are forecast to decrease from 1999-2000. However, oat supplies remain historically high. **Exports** are forecast to increase as US oat production is forecast to continue its downward trend. Scandinavian exports to the US are also expected to increase. Finland and Sweden are forecast to have an export surplus of about 0.675 Mt versus 0.510 Mt in 1999-2000, assuming a return to trend yields and quality. Yields in Finland have been below average for two years due to adverse weather conditions.

Oat prices in Canada are based on Chicago Board of Trade (CBOT) oat prices, which generally trade at a consistent discount to CBOT corn. The midpoint of the Winnipeg Commodity Exchange cash price (I/S Minneapolis) is expected to be similar to 1999-2000 at \$120/t versus \$132/t in 1998-1999.

Corn production is forecast to decrease due to a return to trend yields as area seeded is forecast to be similar to 1999-2000. **Imports** are forecast to increase due to a 7 percent decrease in domestic supplies and increased industrial use. **Exports** should decrease from two years of high levels due to the lower supplies. Domestic use for feed is forecast to decline because of lower hog numbers.

The midpoint of the **Chatham elevator corn price** is expected to remain at about \$105/t, as the somewhat tighter supplies are offset by a stronger Canadian dollar.

For more information please contact:

Fred Oleson,
Chief, Market Analysis Division
Phone: (204) 983-0807
E-mail: olesonf@em.agr.ca

OILSEEDS

World

World **production** of the eight major oilseeds (soybeans, cottonseed, peanuts, sunflowerseed, canola/rapeseed, copra, palm kernels, and flaxseed) is forecast to decrease marginally from the record 301 Mt in 1999-2000. World soybean production is forecast to increase slightly.

For **US soybeans**, the **area seeded** is expected to increase slightly because of the favourable marketing loan rate for soybeans. Combined with an expected rebound in yields, **production** is projected to increase by about 3.5 Mt, to 79.1 Mt, (2.91 bln bu)

despite lower market prices and a projected rise in carry-out stocks.

For **South American soybeans**, the 2000-2001 crop will be harvested in the second quarter of 2001. For Brazil, seeded **area and production** are expected to increase slightly due to improvements in infrastructure and expansion in the land base. Brazil is expected to continue to aggressively export soybeans and maintain low carry-out stocks. For Argentina, however, soybean **production** is expected to decline due to low prices.

World canola/rapeseed production is expected to decrease by about 5 percent as lower production in Canada, Australia, and in the EU where area seeded and yield are both expected to decrease. Chinese canola production is expected to be steady to slightly higher, at around 9.7 Mt, due to higher domestic prices, resulting from the change in tariffs and quotas favouring the import of raw oilseeds over edible oils.

World flaxseed production is expected to decrease due to lower production in Canada. Production in the EU is expected to remain steady although it will likely decline in later years due to the reduction in domestic subsidies.

World Demand

For 2000-2001, world **oilseed consumption** is projected to increase marginally to 302 Mt after increasing by 8 Mt in 1999-2000. World **carry-out stocks** of oilseeds are projected to fall marginally from 1999-2000. **Trade** in oilseeds is expected to increase by 2 Mt, to 59 Mt. For **soybeans**, world crush demand is expected to increase to about 138 Mt, from about 133 Mt in 1999-2000, due to an increase in crush volumes in the US and Asia.

PROTEIN MEAL AND EDIBLE OIL

For **soymeal**, world **production** is projected to rise by 4 Mt to about 110 Mt, primarily due to the increased supplies of soybeans within the US, Brazil, and Argentina. Supported by increased pork and poultry production, EU **demand** is expected to remain steady while Asian and North American demand for protein meal increases. **Prices** of protein meals are expected to strengthen due to the increase in per-capita disposable incomes and increased consumption of meat and poultry. As a result, crush margins are projected to strengthen and crush volumes should rise, despite lower edible oil prices.

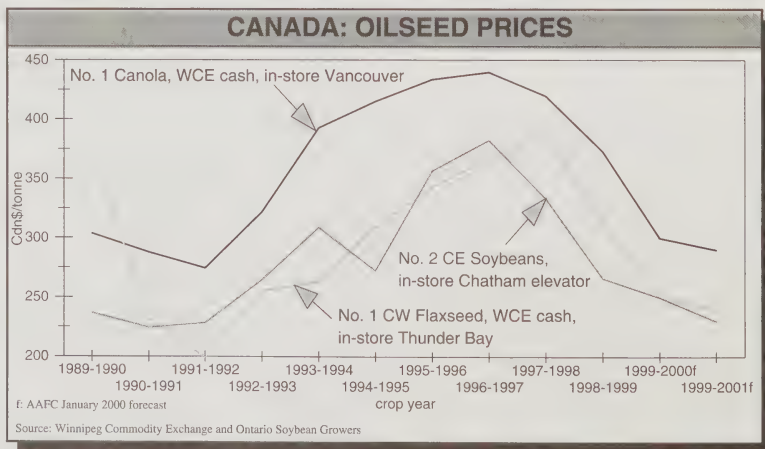
For **edible oils**, world **production** is expected to increase, led by higher palm oil production and soybean crush, which is expected to offset a decline in canola/rapeseed, sunflower, and cottonseed crush. Supplies of **palm oil** are expected to increase as palm trees continue to mature and begin production. Increased trade and consumption of palm oil are expected to displace exports and usage of soyoil over the longer term. Demand for edible oil in China and other Asian countries is expected to remain strong, although this will result in an increased trade of oilseeds rather than edible oils and protein meals. Consumption of vegetable oil is forecast to increase and world trade is expected to increase slightly.

PRICES

World oilseed complex prices are expected to decline due to burdensome supplies which are overpowering demand. Increased carry-out stocks are forecast to pressure prices lower, from an expected average of US\$4.60/bu for **US soybeans** in 1999-2000 to US\$4.50/bu in 2000-2001. The average **US soymeal** price is forecast to rise by about US\$5-10 per short ton (/st) in 2000-2001 to US\$145-170/st. World vegetable oil prices are expected to remain historically weak, pressuring the average **US soyoil** prices down to US\$0.14-0.17 per pound (/lb) compared to US\$0.15-0.18/lb expected for 1999-2000.

CANADA

For **canola**, harvested area is expected to decline by about 6 percent, to 5.3 mln ha, and yields are expected to decrease from the record level of 1999-2000. Although production is forecast to decrease significantly to 7.6 Mt, supplies are projected to decline only slightly due to very high carry-in stocks. Domestic processing of canola is expected to increase slightly as processors take advantage of favourable crush margins and abundant supplies, although volumes may be constrained by a lack of markets for canola oil. Exports are expected to decline due to increased



competition from the EU and Australia for the major markets, i.e. Japan, China, and Mexico. Carry-out stocks are expected to decrease but remain historically high and Canadian canola prices are forecast to decline by \$10/t, to \$265-305/t I/S Vancouver, due to burdensome world supplies of palm and soyoil.

For **flaxseed**, area seeded is forecast to decrease due to low prices and yields are expected to rise to a more normal level. Although production is forecast to decrease by 20 percent supplies are expected to increase by 10 percent due to large carry-in stocks. Exports are expected to increase to 0.6 Mt, from 0.5 Mt expected for 1999-2000, although EU demand is expected to remain weak. Carry-out stocks are forecast to rise to a burdensome level which will cause prices to decline by \$10/t, to \$215-255/t I/S Thunder Bay, for 2000-2001.

For **soybeans**, area seeded is forecast to decline only marginally, despite sharply lower prices, due to the low prices for corn and wheat. Yields are forecast to decrease to trend levels leading to lower production. Supplies are expected to decline slightly as a projected increase in imports is expected to only partially offset the decline in production. Domestic processing of soybeans is forecast to remain similar to 1999-2000 because of ample supplies of raw beans and profitable crush margins. Exports are also projected to remain unchanged at a near-record pace as traders use Identity Preserved (IP) marketing techniques to niche market Canadian soybeans. Carry-out stocks are expected to remain low. Soybean prices are expected to decline by about 8 percent to \$205-245/t, I/S Chatham, Ontario elevator largely due to lower US prices.

For more information please contact:

Chris Beckman

Oilseeds Analyst

Phone: (204) 984-4929

E-mail: beckmac@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

The Bi-weekly Bulletin is published by the Market Analysis Division, Policy Branch, Adaptation and Grain Policy Directorate, Agriculture and Agri-Food Canada, 500-303 Main Street Winnipeg, Manitoba R3C 3G7 Telephone: (204) 983-8473 Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

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WORLD: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

| | Area | Yield | Production | Total Supply | Trade | Use | Carry-out Stocks | Stocks-to-use Ratio | World Prices ^{1/} |
|-------------------------------|----------|--------|------------|----------------------------|-------|-----|------------------|---------------------|----------------------------|
| | (mln ha) | (t/ha) | | million tonnes | | | | (%) | (US\$/t) |
| Wheat | | | | | | | | | |
| 1996-1997 | 231 | 2.52 | 583 | 691 | 102 | 576 | 115 | 20.0 | 184 |
| 1997-1998 | 228 | 2.67 | 609 | 724 | 102 | 585 | 139 | 23.8 | 143 |
| 1998-1999 | 225 | 2.62 | 589 | 728 | 101 | 592 | 136 | 23.0 | 119 |
| 1999-2000p | 216 | 2.70 | 584 | 720 | 104 | 589 | 131 | 22.3 | 105-115 |
| 2000-2001f | 222 | 2.70 | 600 | 731 | 104 | 597 | 134 | 22.4 | 110-120 |
| Coarse Grains | | | | | | | | | |
| 1996-1997 | 322 | 2.81 | 908 | 1,006 | 95 | 877 | 129 | 14.7 | 129 |
| 1997-1998 | 311 | 2.84 | 883 | 1,012 | 86 | 875 | 136 | 15.6 | 110 |
| 1998-1999 | 309 | 2.88 | 890 | 1,027 | 96 | 873 | 154 | 17.6 | 93 |
| 1999-2000p | 304 | 2.88 | 876 | 1,030 | 95 | 875 | 156 | 17.8 | 75-95 |
| 2000-2001f | 309 | 2.87 | 887 | 1,043 | 95 | 891 | 152 | 17.0 | 70-90 |
| Oilseeds ^{2/} | | | | | | | | | |
| 1996-1997 | 180 | 1.46 | 262 | 284 | 50 | 267 | 17 | 6.4 | 250 |
| 1997-1998 | 185 | 1.56 | 289 | 306 | 54 | 281 | 25 | 8.9 | 243 |
| 1998-1999 | 192 | 1.54 | 296 | 321 | 50 | 293 | 28 | 9.6 | 187 |
| 1999-2000p | 195 | 1.54 | 301 | 329 | 57 | 301 | 28 | 9.3 | 170-190 |
| 2000-2001f | 195 | 1.54 | 300 | 328 | 59 | 302 | 26 | 8.6 | 165-185 |

Note: numbers may not add due to rounding

^{1/} Wheat: Hard Winter Ordinary, US Gulf; June-May crop year.

Coarse Grains: US Gulf No. 3 Yellow Corn; September-August crop year.

Oilseeds: Chicago Cash No. 1 Yellow Soybeans; September-August crop year.

^{2/} The 8 major oilseeds are soybeans, cottonseed, peanuts (whole), sunflowerseed, canola/rapeseed, copra, palm kernels and flaxseed.

p: preliminary USDA, AAFC estimates; f: AAFC January 2000 forecast.

Source: USDA, Oil World

AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Policy Branch - Market Analysis Division - Winnipeg, Manitoba
CANADIAN GRAINS AND OILSEEDS OUTLOOK February 17, 2000

For 2000-01, world wheat prices (excluding durum) are expected to strengthen slightly from the extremely low 1999-00 level, due to lower US production and tightening world supplies. Coarse grain prices are expected to be similar to 1999-00, due to continued high corn supplies in the US and barley supplies in the EU. Oilseed prices are expected to decrease from current low levels due to burdensome world oilseed supplies, especially US soybeans, and lower edible oil prices. The major factors to watch are: growing conditions in the major importing and exporting regions; US Loan Deficiency Payments; EU export subsidies; import demand from China and the Canada/US exchange rate.

Area seeded in western Canada is forecast to shift out of oilseeds into durum, barley, spring wheat and special crops due to higher expected net returns. Assuming that, in general, yields decrease from the record highs of 1999-00, total production of grains and oilseeds in Canada is forecast by AAFC to decrease to 62.9 million tonnes (Mt), from 66.2 Mt in 1999-00. Supplies, however, are not expected to decrease to the same extent due to higher carry-in stocks. Total exports are projected to decrease by about 1 Mt, as lower wheat and corn exports more than offset higher barley, oat and flaxseed exports.

WHEAT (ex-durum)

For 1999-00, exports are expected to increase by 37%, but remain well below the 10-year average of 16 Mt. Carry-out stocks are projected to rise by about 10%.

For 2000-01, Canadian production is forecast by AAFC to decline by 8%, with lower yields offsetting a higher seeded area. With lower supplies, exports are projected to fall by 5%. Carry-out stocks are projected to decline by about 8%. The Canadian Wheat Board (CWB) final price for No. 1 CWRS is forecast by AAFC at \$155-185/t I/S VC/SL, marginally higher than the January Pool Return Outlook (PRO) for 1999-00. However, protein premiums are expected to decline. Ontario wheat production is forecast at 1.3 Mt, 13% below 1999-00 as a result of lower yields. AAFC forecasts the final price for No.1 CEWW wheat (Pool A) at \$110-120/t, terminal or processor location, \$5/t above 1999-00.

DURUM

For 1999-00, durum exports are expected to remain strong, but decline slightly, due to low supplies of high quality durum. Carry-out stocks are expected to fall sharply, due to high exports and lower production.

For 2000-01, production is forecast to increase by 26%, to 5.4 Mt, second only to the record 6.0 Mt produced in 1998-99. Supplies are expected to rise by only 9%, due to lower carry-in stocks. Exports, however, are forecast to be unchanged, due to larger crops in the EU and North Africa and increased competition from the US. Carry-out stocks are projected to rise close to the 1998-99 level. The CWB final price for No.1 CWAD is forecast by AAFC at \$165-195/t, vs the 1999-00 CWB PRO of \$190-220/t. The premium for durum wheat over spring wheat is forecast at \$10/t, vs \$38/t for 1999-00.

BARLEY

For 1999-00, feed barley exports are expected to remain low, due to stronger returns from the domestic feed market than the export market. Malting barley exports are forecast to rise due to increased demand from the US and China. Carry-out stocks are expected to increase slightly.

For 2000-01, production and supply are forecast to increase slightly. Feed barley exports are forecast to remain low while malting barley exports continue strong. Domestic feed demand is expected to strengthen due to higher livestock numbers. Carry-out stocks are expected to increase. Off-Board feed barley prices are forecast to remain unchanged from 1999-00. The final CWB price for No.1 CW feed barley is forecast by AAFC at \$115-145/t, the same as 1999-00. Malting barley prices are expected to decrease because of increased supplies in the US, Canada and Australia. The CWB final price for Special Select (SS) 2-Row Designated Barley is forecast to fall by about \$15/t from 1999-00, with the SS 6-Row price expected to fall by \$25/t.

OATS

For 1999-00, oat exports are expected to decline due to continued competition from Scandinavian oats in the US feed market, while oat product exports remain strong. Carry-out stocks are forecast to remain high due to large supplies.

For 2000-01, supplies are forecast to decrease slightly due to lower production. Total exports to the US are expected to increase slightly, as import demand from the US is forecast to continue its upward trend. The price is expected to remain unchanged from 1999-00.

CORN

For 1999-00, despite record production, imports of US corn are expected to rise due to increased industrial use. Exports are forecast to fall. Carry-out stocks are expected to increase to 0.98 Mt.

For 2000-01, production is forecast to fall by 8% due to lower yields. To offset lower domestic supplies, imports are expected to rise and exports to fall. Feed and industrial use of corn are forecast to remain unchanged from 1999-00. Carry-out stocks are forecast to fall. The Chatham corn price is expected to be similar to 1999-00, with Ontario corn priced more on an import basis than in 1999-00.

CANOLA

For 1999-00, exports are expected to increase due to the strong pace of Chinese imports. Domestic crush is expected to fall slightly, despite favourable crush margins, due to weak markets for edible oil. However, carry-out stocks are expected to rise sharply due to record production.

For 2000-01, production is forecast to fall by 20% due to a decrease in seeded area and lower yields. However, supplies are forecast to decline by only 5%, due to large carry-in stocks. Exports are forecast to remain unchanged, while domestic crush is forecast to rise. Carry-out stocks are expected to fall, but remain burdensome. Prices are projected to drop by a further 5% due to lower US soybean prices and increased world edible oil supplies.

FLAXSEED (excluding solin)

For 1999-00, exports to the EU and the US are expected to decline sharply. Carry-out stocks are forecast to increase significantly to a burdensome level.

For 2000-01, production is forecast to decline sharply due to lower seeded area and reduced yields. Exports are forecast to rise by about 33% due to increased demand from the EU and US. Despite projected lower carry-out stocks, prices are forecast to continue to decline by about 5% from the lows of 1999-00 due to increased supplies.

SOYBEANS

For 1999-00, imports are projected to rise by 10%. Due to projected higher exports and domestic crush, carry-out stocks are expected to remain steady.

For 2000-01, production is forecast to fall but exports and domestic crush are expected to remain firm at historically high levels. Prices are forecast to decline by almost 10% from the lows of 1999-00 due to projected record high soybean production in the US.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains.Fred Oleson, Chief 983-0807
E-mailolesonf@em.agr.ca
Oilseeds.....Chris Beckman983-8466
E-mail.....beckmac@em.agr.ca
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CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

FEBRUARY 17, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1998-1999 | 2,914 | 2.07 | 6,042 | 3 | 6,802 | 3,848 | 182 | 650 | 1,001 | 1,952 | 201 |
| 1999-2000f | 1,760 | 2.42 | 4,259 | 10 | 6,221 | 3,800 | 180 | 611 | 1,021 | 1,400 | 190-220* |
| 2000-2001f | 2,405 | 2.23 | 5,370 | 1 | 6,771 | 3,800 | 185 | 656 | 1,071 | 1,900 | 165-195 |
| Wheat Except Durum | | | | | | | | | | | |
| 1998-1999 | 7,764 | 2.32 | 18,034 | 77 | 23,363 | 10,783 | 2,691 | 3,549 | 7,078 | 5,413 | 184 |
| 1999-2000f | 8,603 | 2.63 | 22,591 | 15 | 28,019 | 14,800 | 2,675 | 3,679 | 7,219 | 6,000 | 157-177* |
| 2000-2001f | 8,770 | 2.37 | 20,770 | 25 | 26,795 | 14,100 | 2,700 | 3,605 | 7,195 | 5,500 | 155-185 |
| All Wheat | | | | | | | | | | | |
| 1998-1999 | 10,678 | 2.25 | 24,076 | 80 | 30,165 | 14,631 | 2,873 | 4,199 | 8,079 | 7,365 | |
| 1999-2000f | 10,364 | 2.59 | 26,850 | 25 | 34,240 | 18,600 | 2,855 | 4,290 | 8,240 | 7,400 | |
| 2000-2001f | 11,175 | 2.34 | 26,140 | 26 | 33,566 | 17,900 | 2,885 | 4,261 | 8,266 | 7,400 | |
| Barley | | | | | | | | | | | |
| 1998-1999 | 4,272 | 2.98 | 12,709 | 62 | 15,230 | 1,695 | 375 | 10,088 | 10,848 | 2,687 | 117 |
| 1999-2000f | 4,069 | 3.24 | 13,196 | 25 | 15,908 | 2,400 | 385 | 9,918 | 10,708 | 2,800 | 100-120 |
| 2000-2001f | 4,275 | 3.15 | 13,480 | 25 | 16,305 | 2,500 | 385 | 10,015 | 10,805 | 3,000 | 95-125 |
| Corn | | | | | | | | | | | |
| 1998-1999 | 1,118 | 8.01 | 8,952 | 893 | 10,737 | 830 | 1,845 | 7,147 | 9,023 | 885 | 110 |
| 1999-2000f | 1,141 | 7.97 | 9,096 | 1,000 | 10,981 | 700 | 2,000 | 7,276 | 9,306 | 975 | 95-115 |
| 2000-2001f | 1,135 | 7.34 | 8,330 | 1,100 | 10,405 | 300 | 2,000 | 7,275 | 9,305 | 800 | 90-120 |
| Oats | | | | | | | | | | | |
| 1998-1999 | 1,592 | 2.49 | 3,958 | 3 | 4,807 | 1,491 | 226 | 1,833 | 2,224 | 1,092 | 132 |
| 1999-2000f | 1,398 | 2.60 | 3,641 | 3 | 4,736 | 1,350 | 220 | 1,906 | 2,286 | 1,100 | 110-130 |
| 2000-2001f | 1,399 | 2.55 | 3,573 | 3 | 4,676 | 1,400 | 225 | 1,891 | 2,276 | 1,000 | 105-135 |
| Rye | | | | | | | | | | | |
| 1998-1999 | 204 | 1.96 | 398 | 0 | 462 | 80 | 57 | 140 | 217 | 164 | |
| 1999-2000f | 169 | 2.29 | 387 | 0 | 551 | 85 | 58 | 200 | 276 | 190 | |
| 2000-2001f | 139 | 2.18 | 302 | 0 | 492 | 80 | 60 | 162 | 242 | 170 | |
| Mixed Grains | | | | | | | | | | | |
| 1998-1999 | 198 | 2.77 | 548 | 0 | 548 | 0 | 0 | 548 | 548 | 0 | |
| 1999-2000f | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001f | 180 | 2.79 | 503 | 0 | 503 | 0 | 0 | 503 | 503 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1998-1999 | 7,384 | 3.60 | 26,565 | 958 | 31,783 | 4,096 | 2,503 | 19,756 | 22,859 | 4,828 | |
| 1999-2000f | 6,930 | 3.86 | 26,767 | 1,028 | 32,623 | 4,535 | 2,663 | 19,747 | 23,023 | 5,065 | |
| 2000-2001f | 7,128 | 3.67 | 26,188 | 1,128 | 32,381 | 4,280 | 2,670 | 19,846 | 23,131 | 4,970 | |
| Canola | | | | | | | | | | | |
| 1998-1999 | 5,421 | 1.41 | 7,643 | 157 | 8,163 | 3,900 | 3,063 | 542 | 3,649 | 614 | 373 |
| 1999-2000f | 5,564 | 1.58 | 8,798 | 150 | 9,562 | 4,100 | 3,000 | 645 | 3,687 | 1,775 | 275-315 |
| 2000-2001f | 4,950 | 1.45 | 7,200 | 150 | 9,125 | 4,100 | 3,200 | 585 | 3,825 | 1,200 | 265-305 |
| Flaxseed | | | | | | | | | | | |
| 1998-1999 | 874 | 1.24 | 1,081 | 5 | 1,127 | 719 | n/a | n/a | 246 | 162 | 313 |
| 1999-2000f | 793 | 1.32 | 1,049 | 4 | 1,215 | 450 | n/a | n/a | 175 | 590 | 220-260 |
| 2000-2001f | 485 | 1.37 | 665 | 5 | 1,260 | 600 | n/a | n/a | 185 | 475 | 210-250 |
| Soybeans | | | | | | | | | | | |
| 1998-1999 | 980 | 2.79 | 2,737 | 254 | 3,179 | 868 | 1,576 | 396 | 2,064 | 247 | 266 |
| 1999-2000f | 999 | 2.77 | 2,766 | 400 | 3,413 | 900 | 1,800 | 397 | 2,263 | 250 | 225-265 |
| 2000-2001f | 994 | 2.69 | 2,673 | 450 | 3,373 | 900 | 1,805 | 400 | 2,273 | 200 | 205-245 |
| Total Oilseeds | | | | | | | | | | | |
| 1998-1999 | 7,275 | 1.58 | 11,461 | 417 | 12,469 | 5,487 | 4,639 | 938 | 5,959 | 1,023 | |
| 1999-2000f | 7,357 | 1.71 | 12,613 | 554 | 14,190 | 5,450 | 4,800 | 1,042 | 6,125 | 2,615 | |
| 2000-2001f | 6,429 | 1.64 | 10,538 | 605 | 13,758 | 5,600 | 5,005 | 985 | 6,283 | 1,875 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1998-1999 | 25,336 | 2.45 | 62,102 | 1,455 | 74,417 | 24,214 | 10,015 | 24,892 | 36,897 | 13,217 | |
| 1999-2000f | 24,650 | 2.69 | 66,231 | 1,607 | 81,054 | 28,585 | 10,318 | 25,079 | 37,389 | 15,080 | |
| 2000-2001f | 24,732 | 2.54 | 62,866 | 1,759 | 79,705 | 27,780 | 10,560 | 24,092 | 37,680 | 14,245 | |

(a) Aug.-July crop year except corn and soybeans which are Sept. - Aug.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No. 1 CWRS and No. 1 CWAD (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 Feed, WCE cash I/S, Lethbridge), Corn (No. 2 CE cash I/S, Chatham), Oats (No. 3 CW, WCE cash Track Minneapolis); Canola (No. 1 Canada, WCE cash I/S, Vancouver); Flaxseed (No. 1 CW WCE cash I/S, Thunder Bay); Soybeans (No. 2, I/S, Chatham).

* - CWB Pool Return Outlook, January 2000.

f - Agriculture and Agri-Food Canada forecast February 2000.

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Policy Branch - Market Analysis Division - Winnipeg, Manitoba

CANADA: SPECIAL CROPS SITUATION AND OUTLOOK February 17, 2000

For 2000-2001, total area seeded to special crops in Canada is forecast to increase by about 10%, due mainly to higher seeded area for dry peas, lentils and chick peas. Assuming trend yields, which in general are lower than in 1999-2000, production is forecast to decrease slightly. However, total supply is expected to increase marginally due to higher carry-in stocks. Exports are forecast to increase, but domestic use is expected to remain stable. Carry-out stocks are forecast to decrease by about 10%. Average prices for peas and canary seed are forecast to increase slightly, while prices for lentils, dry beans and chick peas decrease, and prices for mustard seed, sunflower seed and buckwheat remain similar to 1999-2000. The main factors to watch are growing conditions in Canada and other major importing and exporting countries, and the value of the Canadian dollar relative to the currencies of importing countries.

DRY PEAS

For 1999-2000, although production decreased slightly, total supply increased marginally due to higher carry-in stocks. Exports are expected to decrease slightly due to lower expected sales to Asia, while domestic use increases. Carry-out stocks are forecast to increase 14%, with a stocks-to-use (s/u) ratio of 14%. The average price over all types, grades and markets is forecast to be similar to 1998-99.

For 2000-2001, production is forecast to decrease slightly, as a 15% increase in the seeded area is more than offset by lower trend yield. Total supply is expected to decrease marginally. Exports and domestic use are forecast to increase slightly. Carry-out stocks are forecast to decrease to a low level, with a s/u ratio of 8%. Food pea prices are expected to strengthen due to lower world supply. Feed pea prices are expected to increase slightly, due to lower world supplies of dry peas and higher expected protein meal prices. The average price is forecast to rise by 5-10%.

LENTILS

For 1999-2000, production and supply increased by about 50%, with low carry-in stocks. Exports and domestic use are forecast to increase. Carry-out stocks are forecast to rise, with a s/u ratio of 15%. Prices have been supported by strong demand. The average price over all types and grades is forecast to be similar to 1998-1999.

For 2000-2001, production is forecast to increase by 5%, as a 15% increase in seeded area is partly offset by lower trend yields. However, total supply is forecast to increase by 15% due to higher carry-in stocks. Exports are expected to increase due to strong world demand. Carry-out stocks are forecast to increase, with a s/u ratio of 25%. Higher world supply and carry-out stocks are expected to pressure prices downward, although this is expected to be partly offset by higher average crop quality in Canada. The average price is forecast to fall by 10%.

DRY BEANS

For 1999-2000, production increased by about 55%, but because carry-in stocks were low, total supply increased by only 30%. Although exports and domestic use are forecast to increase, carry-out stocks are expected to rise, with a s/u ratio of 20%. The average price over all types and grades is forecast to fall by about 15%, due to higher world supply.

For 2000-2001, production is forecast to remain stable, as a 5% increase in seeded area is offset by lower trend yields. Total

supply is expected to increase by about 5% due to higher carry-in stocks. Although exports and domestic use are forecast to increase, carry-out stocks are expected to rise, with a s/u ratio of 22%. The average price is forecast to decrease slightly, in line with a slight increase in total world supply.

CHICK PEAS

For 1999-2000, production and total supply quadrupled, in line with increased harvested area. Exports and domestic use are forecast to increase with the larger supply. Carry-out stocks are forecast to increase, with a s/u ratio of 11%. The average price over both types and all sizes and grades is forecast to decrease by about 20%, due to lower prices, lower average quality of the crop and some shift in production to the lower priced desi type.

For 2000-2001, production is forecast to increase by about 10%, because of a 10% increase in the seeded area and lower abandonment rate, which are partly offset by lower trend yields. Assuming normal growing conditions and a shift in production out of marginal growing areas, the average quality of the crop is expected to improve. Total supply is forecast to increase by 15% due to increased carry-in stocks. Exports are forecast to increase by about 75% due to expected higher quality of the crop and larger supply, but domestic use is forecast to drop due to reduced use for livestock feed. Carry-out stocks are forecast to increase, with a s/u ratio of 27%. Average price is forecast to decrease by about 5%, because of larger world supply, which is partly offset by improved crop quality in Canada and a slight shift in production to the higher priced kabuli type.

MUSTARD SEED

For 1999-2000, production and supply both increased by about 30%. Exports are forecast to increase by 15%, while domestic use is expected to rise slightly. Carry-out stocks are forecast to increase to a burdensome level, with a s/u ratio of 60%. The average price over all types and grades is forecast to fall by nearly 20%.

For 2000-2001, although production is forecast to decrease by nearly 20%, due to a 5% decrease in seeded area and lower trend yields, total supply is forecast to remain stable. Exports are expected to grow by 5% while domestic use remains stable. Carry-out stocks are forecast to decrease slightly, but the s/u ratio is forecast to remain high at 54% and the average price is forecast to be similar to 1999-2000.

CANARY SEED

For 1999-2000, although production decreased by 30%, total supply decreased by only 7% due to higher carry-in stocks. Exports are forecast to increase by about 10%. Carry-out stocks are expected to decrease, but remain burdensome, with a s/u ratio of 46% and the average price is forecast to decrease slightly.

For 2000-2001, production is forecast to decrease by about 5%, in line with the 5% decrease in seeded area. However, total supply is forecast to decrease by about 15% due to lower carry-in stocks. Exports and domestic use are expected to remain stable. Carry-out stocks are forecast to decrease, with a s/u ratio of 26%. This will support prices, which are forecast to increase by about 5% from 1999-00.

SUNFLOWER SEED

For 1999-2000, although production increased by 10%, due to higher harvested area, total supply increased by 15% due to higher carry-in stocks. Exports and domestic use are expected to increase. Carry-out stocks are forecast to remain stable, with a s/u ratio of 27%. The average price over both types is forecast to decline by nearly 20%.

For 2000-2001, production is forecast to increase slightly due to a 5% higher seeded area and lower abandonment rate, which is partly offset by lower trend yields. A slight shift from oil type to confectionary type production is expected. Total supply is forecast to be similar to 1999-2000. Exports are forecast to remain stable, while domestic use increases. Carry-out stocks are forecast to decrease slightly, with a s/u ratio of 21%. The average price is forecast to be similar to 1999-00.

BUCKWHEAT

For 1999-2000, production decreased and exports and domestic use are forecast to decrease slightly. The average price over all grades and markets is forecast to decrease slightly due to higher world production. For 2000-2001, production is forecast to increase by about 25% due to higher seeded area and trend yields. Exports are forecast to increase slightly, while domestic use remains stable. The average price is also forecast to be stable, in line with stable world production.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972

E-mail skrypetzs@em.agr.ca

Fred Oleson, Chief(204) 983-0807

E-mail olesonf@em.agr.ca

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CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS (c)

FEBRUARY 17, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1996-1997 | 520 | 2.25 | 1,169 | 8 | 1,397 | 855 | 462 | 80 | 209 |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,839 | 1,116 | 573 | 150 | 177 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,497 | 1,536 | 681 | 280 | 132 |
| 1999-2000f | 835 | 2.70 | 2,252 | 10 | 2,542 | 1,450 | 772 | 320 | 120-140 |
| 2000-2001f | 956 | 2.27 | 2,170 | 10 | 2,500 | 1,500 | 820 | 180 | 125-155 |
| Lentils | | | | | | | | | |
| 1996-1997 | 304 | 1.33 | 403 | 4 | 484 | 286 | 108 | 90 | 470 |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 473 | 349 | 109 | 15 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 502 | 372 | 120 | 10 | 381 |
| 1999-2000f | 497 | 1.46 | 724 | 5 | 739 | 495 | 149 | 95 | 365-395 |
| 2000-2001f | 570 | 1.34 | 765 | 0 | 860 | 545 | 145 | 170 | 325-365 |
| Dry Beans | | | | | | | | | |
| 1996-1997 | 84 | 1.58 | 133 | 26 | 179 | 124 | 45 | 10 | 605 |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000f | 154 | 1.91 | 294 | 35 | 354 | 235 | 59 | 60 | 530-560 |
| 2000-2001f | 162 | 1.82 | 295 | 15 | 370 | 240 | 65 | 65 | 510-550 |
| Chick Peas | | | | | | | | | |
| 1996-1997 | 3 | 1.33 | 4 | 4 | 8 | 1 | 7 | 0 | n/a |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000f | 139 | 1.42 | 197 | 1 | 203 | 75 | 108 | 20 | 385-415 |
| 2000-2001f | 159 | 1.35 | 215 | 0 | 235 | 130 | 55 | 50 | 360-400 |
| Mustard Seed | | | | | | | | | |
| 1996-1997 | 233 | 0.99 | 231 | 1 | 262 | 141 | 61 | 60 | 363 |
| 1997-1998 | 292 | 0.83 | 243 | 1 | 304 | 166 | 63 | 75 | 398 |
| 1998-1999 | 279 | 0.86 | 239 | 1 | 315 | 159 | 61 | 95 | 348 |
| 1999-2000f | 273 | 1.12 | 306 | 1 | 402 | 185 | 67 | 150 | 270-300 |
| 2000-2001f | 258 | 0.97 | 250 | 0 | 400 | 195 | 65 | 140 | 265-305 |
| Canary Seed | | | | | | | | | |
| 1996-1997 | 235 | 1.21 | 285 | 0 | 305 | 122 | 44 | 139 | 300 |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 254 | 134 | 47 | 73 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 308 | 137 | 51 | 120 | 248 |
| 1999-2000f | 146 | 1.14 | 166 | 0 | 286 | 150 | 46 | 90 | 230-250 |
| 2000-2001f | 138 | 1.12 | 155 | 0 | 245 | 150 | 45 | 50 | 235-265 |
| Sunflower Seed | | | | | | | | | |
| 1996-1997 | 35 | 1.57 | 55 | 12 | 91 | 24 | 43 | 24 | 345 |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 101 | 45 | 46 | 10 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 139 | 43 | 61 | 35 | 388 |
| 1999-2000f | 79 | 1.54 | 122 | 10 | 167 | 60 | 72 | 35 | 300-330 |
| 2000-2001f | 86 | 1.45 | 125 | 10 | 170 | 60 | 80 | 30 | 295-335 |
| Buckwheat | | | | | | | | | |
| 1996-1997 | 17 | 1.30 | 22 | 1 | 25 | 11 | 12 | 2 | 320 |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 9 | 9 | 1 | 315 |
| 1999-2000f | 13 | 1.00 | 13 | 3 | 17 | 8 | 8 | 1 | 300-320 |
| 2000-2001f | 14 | 1.14 | 16 | 1 | 18 | 9 | 8 | 1 | 295-325 |
| Total Special Crops (c) | | | | | | | | | |
| 1996-1997 | 1,431 | 1.61 | 2,302 | 56 | 2,751 | 1,564 | 782 | 405 | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 53 | 3,201 | 1,949 | 912 | 340 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,107 | 2,463 | 1,073 | 571 | |
| 1999-2000f | 2,136 | 1.91 | 4,074 | 65 | 4,710 | 2,658 | 1,281 | 771 | |
| 2000-2001f | 2,343 | 1.70 | 3,991 | 36 | 4,798 | 2,829 | 1,283 | 686 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

Source: Statistics Canada and industry consultations.

f - Agriculture and Agri-Food Canada forecast, February 17, 2000.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday February 14, 2000

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | GLUTEN FEED | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-------------|--------------|--------------|
| Vancouver B.C. | This week | FOB | (1) 131.66 | N/A | 127.66 | (3) 152.00 | | 291.75 | (7) 176.41 | 115.00 | 320.00 | (4) 650.00 | 380.00 | | | | 340.00 |
| | Week ago | | (1) 130.66 | N/A | 126.66 | (3) 150.00 | | 279.75 | (7) 186.99 | 115.00 | 310.00 | (4) 650.00 | 380.00 | | | | 340.00 |
| Calgary | This week | FOB | (1) 108.50 | 100.00 | 104.50 | (3) 139.00 | | 285.50 | 170.00 | | 280.00 | (4) 700.00 | 500.00 | | | | 355.00 |
| Alta | Week ago | | (1) 107.50 | 100.00 | 103.50 | (3) 138.00 | | 271.50 | 170.00 | | 270.00 | (4) 700.00 | 500.00 | | | | 355.00 |
| Saskatoon | This week | FOB | (1) 104.00 | 101.00 | 92.50 | (3) 119.00 | | 274.50 | 184.00 | | 280.00 | (4) N/A | 500.00 | | | | 385.00 |
| Sask. | Week ago | | (1) 104.00 | 101.00 | 92.50 | (3) 117.00 | | 261.00 | 180.00 | | 270.00 | (4) N/A | 500.00 | | | | 385.00 |
| Melfort | This week | FOB | (1) 110.70 | 111.00 | 97.30 | | | | | | | | | | | | |
| Sask. | Week ago | | (1) 109.00 | 111.00 | 96.00 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | (1) 100.15 | 105.10 | 94.20 | (3) 115.00 | | 259.50 | 184.00 | | 270.00 | (4) 744.00 | 430.00 | | | | 320.00 |
| Man. | Week ago | | (1) 100.35 | 107.44 | 93.35 | (3) 110.00 | | 246.50 | 180.00 | | 265.00 | (4) 744.00 | 430.00 | | | | 320.00 |
| Thunder Bay | This week | Track | (1) 123.70 | 135.50 | 112.30 | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 126.30 | 135.00 | 112.00 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | (3) 124.40 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | (3) 122.86 | | | | | | | | | | | |
| Bay Ports | This week | In-store | (1) 142.75 | 154.00 | 130.00 | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 141.50 | 150.00 | 127.00 | | | | | | | | | | | | |
| Chatham | This week | Track | | | | (2) 117.22 | | | | | | | | | | | |
| Ont. | Week ago | | | | | (2) 117.22 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 281.00 | (5) N/A | 470.00 | 435.00 | 125.00 | 200.00 | 315.00 |
| Ont. | Week ago | | | | | | FOB | 268.85 | (8) 187.28 | | 281.00 | (5) N/A | 485.00 | 440.00 | 125.00 | 200.00 | 305.00 |
| Hamilton | This week | N/A | | | | | | 262.02 | 183.64 | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Eastern | This week | FOB | | | | (2) 116.44 | | | | | | | | | | | |
| Ontario | Week ago | | | | | (2) 117.03 | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | 425.00 | 117.00 | | |
| Ont. | Week ago | | | | | | | | | | | | | 430.00 | 117.00 | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | 425.00 | | | |
| Ont. | Week ago | | | | | | | | | | | | | 430.00 | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | 425.00 | 117.00 | | |
| Ont. | Week ago | | | | | | | | | | | | | 430.00 | 117.00 | | |
| Montreal | This week | FOB | | | | | FOB | 287.48 | 198.30 | 113.00 | 281.00 | (5) 760.00 | 287.00 | 435.00 | 127.00 | 210.00 | 320.00 |
| Que. | Week ago | | | | | | | 282.08 | 197.37 | 108.50 | 281.00 | (5) 760.00 | 287.00 | 440.00 | 127.00 | 210.00 | 320.00 |
| Trois-Riv. | This week | In-store | (1) 144.80 | | 136.70 | (2) 140.45 | | | | | | | | | | | |
| Que. | Week ago | | (1) 146.00 | | 137.00 | (2) 139.66 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | (1) 145.85 | 119.00 | 132.28 | (2) 127.06 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | (1) 146.00 | 118.50 | 131.75 | (2) 126.67 | | | | | | | | | | | |
| Quebec | This week | In-store | (1) 148.30 | | 134.70 | (2) 139.79 | FOB | 288.73 | | | | | | | | | |
| Que. | Week ago | | (1) 147.50 | | 135.00 | (2) 139.66 | | 288.77 | | | | | | | | | |
| Truro | This week | Track | (1) 173.08 | 196.49 | 161.40 | (2) 167.94 | FOB | 322.36 | 213.13 | | 317.00 | | 441.00 | | | | 347.50 |
| N.S. | Week ago | | (1) 172.98 | 196.49 | 161.30 | (2) 167.05 | | 317.63 | 211.68 | | 317.00 | | 463.00 | | | | 347.50 |
| Truro | This week | Water | (1) N/A | N/A | 160.80 | 164.00 | | | | | | | | | | | |
| N.S. | Week ago | & Truck | (1) N/A | N/A | 160.00 | 161.10 | | | | | | | | | | | |
| Halifax | This week | In-store | (1) N/A | N/A | 148.15 | 151.90 | FOB | | | 280.25 | | (5) 574.25 | | | | | |
| N.S. | Week ago | | (1) N/A | N/A | 147.35 | 149.00 | | | | 280.25 | | (5) 574.25 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available. US \$1.00=Cdn \$1.4546 as of February 14, 2000

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No. 1 Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley (8) Origin of Windsor

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday February 14, 2000

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|-----------|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 123.70 | 126.30 | | 127.50 | 142.60 |
| | | OATS | 135.50 | 135.00 | | 135.00 | N/A |
| | | BARLEY | 112.30 | 112.00 | | 109.90 | 111.80 |
| To: Bayports, Ont. | In-store | WHEAT | 148.81 | 151.41 | 1. | 149.06 | 168.76 |
| | | OATS | N/A | N/A | 1. | 164.11 | N/A |
| | | BARLEY | 141.75 | 141.45 | 1. | 136.65 | 143.66 |
| Montreal, Que. | In-store | WHEAT | 153.66 | 156.26 | 1. | 154.13 | 172.11 |
| | | OATS | N/A | N/A | 1. | 173.26 | N/A |
| | | BARLEY | 147.26 | 146.96 | 1. | 141.70 | 149.11 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 176.16 | 178.76 | | 175.38 | 190.48 |
| | | OATS | N/A | N/A | | 197.52 | N/A |
| | | BARLEY | 173.32 | 173.02 | | 163.23 | 165.13 |
| Truro, N.S. | Truck via Halifax | WHEAT | 173.60 | 176.20 | | 172.88 | 187.98 |
| | | OATS | N/A | N/A | | 195.02 | N/A |
| | | BARLEY | 168.44 | 168.14 | | 160.73 | 162.63 |
| Halifax, N.S. | In-store | WHEAT | 160.93 | 163.53 | 1. | 162.69 | 182.70 |
| | | OATS | N/A | N/A | 1. | 183.08 | N/A |
| | | BARLEY | 154.77 | 154.47 | 1. | 149.74 | 156.99 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 218.63 | 221.23 | | 222.43 | 237.53 |
| | | OATS | 241.70 | 241.20 | | 240.65 | N/A |
| | | BARLEY | 219.44 | 219.14 | | 212.57 | 214.47 |
| From: Melfort, Sask. | FOB | WHEAT | 110.70 | 109.00 | | 110.00 | 126.20 |
| | | OATS | 111.00 | 111.00 | | 111.00 | 122.00 |
| | | BARLEY | 97.30 | 96.00 | | 94.80 | 102.80 |
| To: Bayports, Ont. | Track | WHEAT | 166.82 | 165.12 | | 166.10 | 182.30 |
| | | OATS | 169.87 | 169.87 | | 176.37 | 187.37 |
| | | BARLEY | 150.69 | 149.39 | | 151.60 | 159.60 |
| Montreal, Que. | Track | WHEAT | 167.57 | 165.87 | | 166.86 | 183.06 |
| | | OATS | 170.77 | 170.77 | | 177.27 | 188.27 |
| | | BARLEY | 151.51 | 150.21 | | 152.42 | 160.42 |
| Moncton, N.B. | Track | WHEAT | 188.75 | 187.05 | | 188.03 | 204.23 |
| | | OATS | 194.11 | 194.11 | | 200.34 | 211.34 |
| | | BARLEY | 163.62 | 162.32 | | 173.98 | 181.98 |
| Truro, N.S. | Track | WHEAT | 188.92 | 187.22 | | 188.20 | 204.40 |
| | | OATS | 195.08 | 195.08 | | 203.78 | 214.78 |
| | | BARLEY | 177.24 | 175.94 | | 174.99 | 182.99 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 232.26 | 230.56 | | 231.53 | 247.73 |
| | | OATS | 242.46 | 242.46 | | 248.69 | 259.69 |
| | | BARLEY | 225.53 | 224.23 | | 223.29 | 231.29 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|-----------|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 124.40 | 122.86 | | 123.24 | 127.47 |
| To: Montreal, Que. (US Corn) | In-store | | 145.52 | 143.98 | 1. | 141.24 | 150.40 |
| From: Saginaw (Mi) | Track | | 116.40 | 114.89 | | 115.82 | 122.18 |
| To: Montreal, Que. (US Corn) | Track | | 143.94 | 142.43 | | 148.12 | 154.48 |
| From: Chatham | Track | | 117.22 | 117.22 | | 117.32 | 117.71 |
| To: Montreal, Que. | Track | | 140.11 | 140.11 | | 141.87 | 142.26 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 268.85 | 262.02 | | 260.69 | 233.14 |
| To: Montreal, Que. | Track | | 291.32 | 284.49 | | 284.36 | 256.81 |
| Moncton, N.B. | Track | | 308.63 | 301.80 | | 301.71 | 274.16 |
| Truro, N.S. | Track | | 311.60 | 304.77 | | 304.85 | 277.30 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 360.86 | 354.03 | | 352.15 | 324.60 |

1. Prices include two month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

March 10, 2000

Vol. 13 No. 5

ORGANIC GRAINS AND OILSEEDS

As a result of increased consumer demand, improved marketing techniques, and current low prices for conventional grains, production of organic crops is expanding across Canada. The recent introduction of international and national guidelines regulating the production and marketing of organic foods is expected to increase consumer confidence, leading in turn to higher demand and prices for organic grains and oilseeds. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for organic grain and oilseed production in Canada.

Organic Agriculture

Organic farming is commonly referred to as a holistic combination of agronomic practices that do not use highly processed chemical inputs in crop production. Instead, organic production involves the use of crop rotations, insect predators, and naturally derived inputs in the production of crops.

While organic farming is still a small specialized industry, it is becoming more mainstream with organic farming viewed as a credible diversification option for small family farms. Up until the mid-1990s the number of organic producers was modest, but cuts to grain

transportation subsidies and the rapid increases in machinery and chemical costs, paired with unstable commodity prices have made the organic growing option much more appealing to producers. Other driving forces behind the growth in organic production include: more emphasis on health and nutrition, an aging population, reports of unsafe food products, concerns for environmental protection and sustainable agriculture and concern about genetically enhanced crops in the food chain.

International Organic Standards

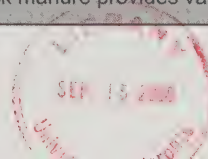
Globally, organic agricultural production operates under a series of non-binding guidelines established by

the Codex Alimentarius Commission, an international body established in 1962 to administer the Joint Food Standards Programme for the Food and Agriculture Organization and World Health Organization.

In 1999, the Codex Alimentarius Commission published Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Foods. By publishing these guidelines, Codex provided the first step toward developing an official internationally harmonized set of regulations for the production, marketing, inspection and labelling of organic agricultural products. The guidelines outline the principles for

PRODUCTION OF ORGANIC CROPS

Three essential elements of organic farming are the use of green manure crops, proper crop rotation and diversification. Green manure crops provide organic material for the soil when they are plowed into the field and they also reduce soil erosion. Typically green manure crops are sown in the fall and plowed down the following spring. However, fallow ground can be covered with plant material for a longer period. Common winter green manure crops include rye and wheat, while summer crops include oats, soybeans and buckwheat. For organic farmers, providing nitrogen to the soil is important so leguminous crops such as alfalfa and clover are often used. Crop rotation is essential to organic production to build soil fertility and to control weeds and pests. Without conventional fertilizers, it is important to monitor the nitrogen, phosphorous, sulfur and potassium levels of the soil and to adjust crop rotations as necessary. Diversification, rather than specialization is essential to the survival of the organic farm. At any given time, about one third of all cultivated area is seeded to grass and legumes to improve soil fertility and structure. Livestock are also an important part of the organic farm, as livestock manure provides valuable nutrients as well.



maintaining organic authenticity at the various stages along the production, processing and marketing chains and for labelling organically grown food. These guidelines have several aims: to protect consumers against unsubstantiated production claims, to protect organic producers against misrepresentation, to ensure that all stages of production and marketing are subject to inspection and compliance with the guidelines, to harmonize guidelines for organically grown produce, and to maintain and promote organic agricultural systems in each country.

Each country, or producing region has numerous organizations at the regional, provincial and national levels which provide their own certification standards. For example, in the United States (US), the US

Organic Crop Improvement Association (OCIA) is striving to become compliant with the International Organization for Standardization (ISO) Guideline 150 65.

On March 7, 2000, US Agriculture Secretary, Dan Glickman announced a new proposal for uniform and consistent national standards for organic food. The proposal details the methods, practices, and substances that can be used in producing and handling organic crops and livestock, as well as processed products. Clear labelling criteria are also outlined so that consumers know exactly what they are buying.

Meanwhile in the United Kingdom (UK), the United Kingdom Register of Organic Food Standards (UKROFS) registers inspection bodies and directly certifies operators.

As other countries develop homogeneous national standards adhering to the Codex Alimentarius, trade and consumption of organic grains is expected to increase.

New Canadian Organic Standard

In June 1999, the Canadian General Standards Board published the National Standard of Canada for Organic Agriculture (CAN/CGSB-32.310-99) that conforms to the regulations outlined by the Codex Alimentarius Commission and was approved by the Standards Council of Canada (SCC). Prior to the introduction of the Organic Standard, the organic industry operated on a set of self-administered certifications and standards, resulting in inconsistent organic standards and a lack of readily accessible information on the Canadian organic industry. The adoption of the Organic

CROP BUDGETS (2000-2001): ORGANIC VERSUS CONVENTIONAL

SASKATCHEWAN (BLACK SOIL ZONE)

| | 2 CWRS Wheat | | Flaxseed | | Peas | | Clover ¹⁴ |
|--|--------------|--------------|------------|--------------|------------|--------------|----------------------|
| | Organic | Conventional | Organic | Conventional | Organic | Conventional | Organic |
| Income: | | | | | | | |
| Projected Price (\$/t) ^{11, 12} | 156 | 120 | 275 | 183 | 210 | 140 | 0 |
| Yield (t/ha) ¹³ | 1.48 | 2.05 | 0.7 | 1.3 | 1.15 | 1.95 | 1.6 |
| Projected Revenue (\$/ha) | 231 | 246 | 193 | 238 | 242 | 273 | 0 |
|dollars per hectare..... | | | | | | | |
| Operating Costs: | | | | | | | |
| Seed | 20 | 15 | 18 | 12 | 60 | 40 | 3 |
| Fertilizer | 0 | 53 | 0 | 53 | 0 | 27 | 0 |
| Pesticide | 0 | 68 | 0 | 67 | 0 | 70 | 0 |
| Crop Insurance | 10 | 8 | 16 | 11 | 12 | 8 | 0 |
| Fuel and Repairs | 46 | 40 | 53 | 46 | 58 | 50 | 40 |
| Other ¹⁵ | <u>12</u> | <u>15</u> | <u>12</u> | <u>15</u> | <u>12</u> | <u>15</u> | <u>12</u> |
| Total Operating Costs | 88 | 199 | 99 | 204 | 142 | 210 | 55 |
| Net Income (Loss) | 143 | 47 | 94 | 34 | 100 | 63 | (55) |

¹¹ Agriculture and Agri-Food Canada, March 2000 forecast

¹² Prices for organic crops are conservatively estimated to be 130% for wheat and 150% for flax and peas of conventional crops, based on insured price premiums by Saskatchewan Crop Insurance. Current price premiums available; 300% for flax, 225% for peas, and 175% for wheat.

¹³ Estimated yields: conventional, AAFC forecast; organic wheat, flax and peas are 72%, 54%, and 59% of conventional, respectively.

¹⁴ Assumed to be plow down clover in accordance with organic guidelines. Hay may be sold depending on local markets.

¹⁵ Other costs include interest and miscellaneous. For clover they are estimated by AAFC, based on costs for alternative crops.

Source: Agriculture and Agri-Food Canada, University of Saskatchewan, and Saskatchewan Crop Insurance

Standard will promote uniform procedures for evaluation and certification agencies, of which approximately 60 are estimated to exist. Organic standards as well as certification are applied on a voluntary basis in Canada, except in Quebec where there is a mandatory system.

The standard provides a national guideline for producers and assurance for local consumers as to the authenticity of organic grains and oilseeds grown in Canada. It will also provide a means for meeting new requirements from our major trade partners, namely the European Union (EU) and Japan.

The Organic Agriculture Standard stipulates the general principles for organic production, as well as the specific requirements for the production of grains and oilseeds, slaughter and dairy livestock, fruit and vegetables and foodstuffs such as mushrooms, honey, and maple syrup. As well, it outlines storage,

transportation, processing, packaging and labelling requirements to meet in order to maintain the organic integrity of the final product.

The impetus for changes to the certification process in Canada, and around the world is the actions of the EU, a major destination for Canadian organic foods. Since 1998, the European Commission has communicated to the international community that as of July 1, 1999, Member States of the EU will only import organic production verified by certification bodies who are compliant with the ISO Guide 65. In Canada, only the SCC has the authority to grant ISO certification to other accreditation bodies.

Marketing Channels for Organic Canadian Grains and Oilseeds

Organic commodities typically serve niche markets, requiring specialized marketing strategies. Like conventional commodities, wheat and barley for export are marketed through the Canadian Wheat Board (CWB),

while oilseeds, other grains, and special crops are marketed off-board. Organic producers, however, are typically more involved in the actual sale of the commodity to the buyer.

Producers have three major marketing options for off-board grains and oilseeds. First, a producer can custom clean the organic grain or oilseed at an organic cleaning and processing facility and privately market the processed product. Second, the producer may opt to deliver their product directly to the end user where it will be cleaned, graded and purchased. Third, producers can clean the organic grains and oilseeds themselves and market the product privately or through co-operative type ventures.

Producers may experience difficulty in marketing grain because of the effort required to locate potential buyers. Organic products tend to be sold in small quantities directly by organic producers or certification bodies. There are food shows in the

ECONOMIC RETURNS

For organic production to be economically viable, premiums are required to compensate producers for the loss in yields due to the abandonment of conventional pesticides and fertilizers and for the three year conversion period where yield declines are typical. The market for organic grains and oilseeds is price sensitive and consumers typically are resistant to prices over 50% higher than those for conventional products. This resistance appears to be weakening, partly as a result of increased environmental concerns. Premiums for organic grains and oilseeds are expected to remain strong as the growth in consumer demand exceeds the growth in production. Currently in Saskatchewan, price premiums for organic flax are approximately 300%, while peas earn 225% and wheat yields 175% of conventional prices. Due to the relatively small size of the organic industry, price premiums are variable and depend on supply and demand fundamentals.

Over the long run, the sustainability of organic production is dependent on the profitability of the rotation compared to growing conventional crops. Producers contemplating switching into producing organic grains and oilseeds should prepare a set of crop budgets over several years before switching. The attached set of budgets based on Agriculture and Agri-Food Canada forecasts data for 2000-2001 compares the profitability of an 10 year organic crop rotation versus conventional crops. The budgets include yield and price data for organic crops collected from Saskatchewan Agriculture and Food and the University of Manitoba. These budgets indicate the profitability of growing conventional versus organic grains and oilseed crops for a particular location. Prices, yields and profitability will vary from farm to farm due to a variety of agronomic, economic and management factors.

In 1998-1999, a \$10 per tonne containerization allowance was deducted from the PDS price to allow for overseas export of organic grains. This allowance has been retained for 1999-2000.

WORLD

Complete data on production and trade is unavailable because the organic industry is governed by multiple independent certification agencies who maintain data confidentiality. However, global organic grain and oilseed production is dominated by the EU, followed by the US, Canada, Australia, and Argentina.

Europe is a net importer of grains and oilseeds with the majority originating from the US and Canada. The German market accounts for more than one-third of the EU organic food market. There is considerable European north-south cross border trade with grains going south and vegetables heading north. In particular, France and the Netherlands are dominant exporters while the UK and Germany are dominant importers.

North America is considered a relatively unpolluted environment and an ideal source of organic foodstuffs. The US is a net exporter of organic bulk grains, organic

soybeans and processed organic products to the Europe and Japan.

UNITED STATES

The United States Department of Agriculture estimates that the value of US retail sales of organic foods in 1999 was approximately US\$6 billion. The number of US organic producers is increasing about 12% per year and now stands at about 12,200 nationwide- most are small-scale producers.

CANADA

Production

In 1999-2000, COAB estimates the Canadian organic industry is worth nearly \$1 billion annually and is expanding by 20% a year. About 1,500 farmers across Canada are registered organic producers, while hundreds more are unregistered.

Total production of organic grains and oilseeds is estimated to be about 140,000 t, valued at \$400-500 million, versus conventional grain and oilseed production of 62 million tonnes (Mt). Organic grain production is concentrated in Western Canada. Unofficially, wheat including durum constitutes one-half of total organic grain. Wheat, excluding durum, is the largest crop, while durum and rye are the second largest crops and roughly equal in output. Buckwheat production

is small but is increasing at a relatively slow pace.

Oilseeds make up only 10-20% of total organic production due to problems with weeds and disease combined with a lack of organic crushing facilities. The major organic oilseeds are flax, canola and sunflowers.

Legume production is relatively small in comparison with other crops. However, as they are good sources of nitrogen for the soil, it is important to increase the level of legumes in the crop rotation.

Approximately 40% of land on organic farms is dedicated to soil-building crops such as alfalfa, pasture and sweetclover green manure. Alfalfa is an important crop to include in rotation as it improves the nutrient (nitrogen and phosphorus) status of the soil, provides weed management, decreases soil salinity, improves soil aeration, and increases subsequent crop yields.

Provincial breakdowns of areas are unavailable due to the existence of numerous certification agencies, which may maintain overlapping membership lists, leading to distorted or exaggerated organic production data.

SURVEY OF THE PRODUCTIVITY OF ORGANIC GRAIN AND OILSEED FARMS IN EASTERN MANITOBA

A recent University of Manitoba survey of organic farms in Manitoba and Eastern Saskatchewan revealed that approximately 40% of the land on organic farms is dedicated to soil building crops such as sweetclover, alfalfa and pasture. Only 6% of the land was summerfallowed during the survey. Grain yields for organically produced wheat, barley and oats averaged about 75% those on comparable conventional farms while peas, canola and flax yields averaged about 50%. In general, weeds limited yields, with wild mustard, red root pigweed, and Canada thistle being the most damaging. Soil testing revealed that while soil nitrogen levels were generally adequate, in many cases, inadequate phosphorous and sulfur limited yields. In some cases, phosphorous and sulfur levels were low enough to limit the nitrogen fixing ability of legume crops. These phosphorous and sulfur deficiencies need to be corrected.

Yields of organic crops are consistently lower than conventional yields due to the elimination of fertilizers and pesticides. Grain yields for organically produced wheat, barley and oats average 75% of those on comparable conventional farms, while yields of pea, canola and flax are 45-60%. The lower yields are generally compensated for by premiums, although these are partly offset by increased freight costs involved in Identify Preserved (IP) marketing.

Crop Insurance

Certified organic producers can participate in provincial crop insurance programs. For Saskatchewan, crop insurance premiums and rates for organic grains and oilseeds are available for only certified producers. An organic prices option provides for a 30-50% price premium due to the increased risk of growing organic crops. In Manitoba and Alberta, organic crops are insured similarly to conventional crops.

Exports

The majority of Canadian organic grain and oilseed production is exported, primarily to the EU, the US, and Japan. Wheat is the dominant export at approximately 15,000 t, compared to conventional wheat exports of 14.5 Mt forecasted for 1999-2000. About half of the organic wheat is destined for Europe with the remainder evenly divided between the US and Japan. The US is the major market for the remaining exported organic grains and oilseeds.

Domestic Consumption

Domestic consumption of organic grains and oilseeds is centered in Central Canada, therefore shipment

from Western Canada to processing and milling plants in Ontario and Quebec is necessary. The capacity for handling organic grains is increasing in Western Canada with the use of containers and IP marketing techniques.

OUTLOOK

In Canada, the area seeded to organic grains and oilseeds for 2000-2001 is expected to be similar to 1999-2000, partly due to the long conversion period required to switch from conventional to organic production. However, production is likely to decrease slightly as yields return to more normal levels, in line with conventional grain and oilseed crops, assuming a return to more normal moisture conditions. As a result, supplies are expected to decrease slightly for 2000-2001. Assuming that demand for organic grains and oilseeds is also similar to 1999-2000, carry-out stocks are expected to decrease. This is expected to support current price premiums for organic grains and oilseeds over conventionally produced commodities, therefore prices are forecast to increase slightly.

Over the medium-term, the area seeded to organic crops may increase by 500%. By 2005, the organic industry is anticipating that their market share will increase to 10% of the Canadian retail market. Organic bulk and value-added products currently represent one alternative to conventional farming.

The introduction of the National Standard of Canada for Organic Agriculture and the recognition of the Canadian accreditation system by Canada's major trade partners is expected to result in stronger exports

of organic grains and oilseeds over the medium-term. Consumer demand is also expected to grow with the development of a fast and accurate test to ensure organic integrity. However, testing organic processed products will continue to be difficult because the properties that identify conventional crops tend to disappear in the production process.

Organic sales in the EU have been projected by an English-based publication to quadruple by 2005, suggesting that market growth is dependent on maintaining current prices for organic products. EU supermarkets, which account for two-thirds of the EU organic market, continue to promote numerous organic product lines.

*This article was written by
Kristi Wasicuna, a former Assistant
Market Analyst with the Market Analysis
Division, and Deanna Harrison.*

For more information please contact:

**Deanna Harrison,
Market Analyst**

Phone: (204) 983-8474

E-mail: harrisonsd@em.agr.ca

Market Analysis Division Website:

[http://www.agr.ca/policy/
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500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

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B. CASH PRICES AND REPLACEMENT VALUES

As of Monday February 28, 2000

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 122.60 | 123.10 | 127.00 | 140.20 |
| | | OATS | 132.00 | 132.00 | 135.00 | N/A |
| | | BARLEY | 108.30 | 109.30 | 111.50 | 112.00 |
| To: Bayports, Ont. | In-store | WHEAT | 149.71 | 150.21 | 152.11 | 166.36 |
| | | OATS | N/A | N/A | 1 | N/A |
| | | BARLEY | 140.04 | 141.04 | 1 | 140.95 |
| Montreal, Que. | In-store | WHEAT | 154.68 | 155.18 | 1 | 156.96 |
| | | OATS | N/A | N/A | 1 | N/A |
| | | BARLEY | 145.95 | 146.95 | 1 | 146.46 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 177.08 | 177.58 | 1 | 179.46 |
| | | OATS | N/A | N/A | 1 | N/A |
| | | BARLEY | 171.72 | 172.72 | 1 | 172.52 |
| Truro, N.S. | Truck via Halifax | WHEAT | 174.58 | 175.08 | 1 | 176.90 |
| | | OATS | N/A | N/A | 1 | N/A |
| | | BARLEY | 166.84 | 167.84 | 1 | 167.64 |
| Halifax, N.S. | In-store | WHEAT | 161.91 | 162.41 | 1 | 164.23 |
| | | OATS | N/A | N/A | 1 | N/A |
| | | BARLEY | 153.16 | 154.16 | 1 | 153.97 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 217.53 | 218.03 | 1 | 221.93 |
| | | OATS | 238.20 | 238.20 | 1 | 241.20 |
| | | BARLEY | 215.44 | 216.44 | 1 | 218.64 |
| From: Melfort, Sask. | FOB | WHEAT | 111.10 | 111.60 | 110.00 | 120.00 |
| | | OATS | 107.50 | 107.50 | 111.00 | 121.00 |
| | | BARLEY | 95.30 | 96.30 | 96.00 | 100.90 |
| To: Bayports, Ont. | Track | WHEAT | 167.22 | 167.72 | 166.12 | 176.10 |
| | | OATS | 166.37 | 166.37 | 169.87 | 186.37 |
| | | BARLEY | 148.69 | 149.69 | 149.39 | 157.70 |
| Montreal, Que. | Track | WHEAT | 167.97 | 168.47 | 166.87 | 176.86 |
| | | OATS | 167.27 | 167.27 | 170.77 | 187.27 |
| | | BARLEY | 149.51 | 150.51 | 150.21 | 158.52 |
| Moncton, N.B. | Track | WHEAT | 189.15 | 189.65 | 188.05 | 198.03 |
| | | OATS | 190.61 | 190.61 | 194.11 | 210.34 |
| | | BARLEY | 161.62 | 162.62 | 162.32 | 180.08 |
| Truro, N.S. | Track | WHEAT | 189.32 | 189.82 | 188.22 | 198.20 |
| | | OATS | 191.58 | 191.58 | 195.08 | 213.78 |
| | | BARLEY | 175.24 | 176.24 | 175.94 | 181.09 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 232.66 | 233.16 | 231.56 | 241.53 |
| | | OATS | 238.96 | 238.96 | 242.46 | 258.69 |
| | | BARLEY | 223.53 | 224.53 | 224.23 | 229.39 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|---------------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 121.19 | 123.65 | 124.58 | 123.14 |
| To: Montreal, Que. (US Corn) | In-store | | 144.52 | 146.98 | 1 | 145.70 |
| From: Saginaw (Mi) | Track | | 113.20 | 116.80 | 116.03 | 117.20 |
| To: Montreal, Que. (US Corn) | Track | | 140.74 | 144.34 | 143.57 | 149.50 |
| From: Chatham | Track | | 117.91 | 117.12 | 117.51 | 114.66 |
| To: Montreal, Que. | Track | | 140.80 | 140.01 | 140.40 | 139.21 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|---------------|---------------|
| From: Hamilton, Ont. | | | 269.95 | 273.92 | 270.50 | 222.11 |
| To: Montreal, Que. | Track | | 292.42 | 296.39 | 292.97 | 245.78 |
| Moncton, N.B. | Track | | 309.73 | 313.70 | 310.28 | 263.13 |
| Truro, N.S. | Track | | 312.70 | 316.67 | 313.25 | 266.27 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 361.96 | 365.93 | 362.51 | 313.57 |

1. Prices include three month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

March 31, 2000

Vol. 13 No. 6

VEGETABLE OIL: SITUATION AND OUTLOOK

For 1999-2000, world vegetable oil prices are expected to average significantly lower than 1998-1999. This is due to a significant increase in palm oil production and, to a lesser extent, increased rapeseed/canola oil production. In addition, the market has been pressured by a major decrease in US soyoil exports which was partly related to China's policy to import seed to maintain a high rate of domestic crush rather than importing vegetable oil. For 2000-2001, vegetable oil prices are expected to remain weak as increased carry-in stocks, combined with higher production, offset the continued increase in world demand. The medium-term outlook for vegetable oil consumption and production looks bright, but major structural changes are anticipated within the industry. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for vegetable oil.

The vegetable oil market is strongly correlated to the protein meal market as both are largely co-products resulting from the processing of oilseeds. Supply and demand conditions in one market affect the other (see *Bi-weekly Bulletin*, Volume 12, No. 11, *Protein Meal: Situation and Outlook*).

For 1999-2000, world **production** of edible oil is estimated at 86.4 million tonnes (Mt), consisting of 85.2 Mt of vegetable oil and 1.2 Mt of marine oil. The percentage distribution of vegetable oil production by type is as follows: soyoil (28), palmoil (25), rapeseed/canola oil (16), and sunflowerseed oil (11). The remainder consists of cottonseed oil, peanut oil, coconut oil, olive oil, palm kernel oil, and flaxseed oil.

The production of vegetable oil is forecast to increase by about 5% for 1999-2000, largely due to the increased production of rapeseed/canola and palm oils. Production of rapeseed/canola oil is expected to increase significantly, due partly to higher rapeseed/canola output in Canada, the EU, Eastern

Europe, and Australia which in turn pressured the prices of the raw seed. Meanwhile, strong demand for edible oil resulted in the increased crushing of rapeseed/canola in the EU, China, and India. Similarly, production of palmoil increased sharply in 1999 due to a return to near normal yields.

Consumption of vegetable oil is expected to increase by about 5% to 84.9 Mt due to the sharp increase in the usage of palm and canola oil at the expense of soyoil. World usage of palmoil is expected to rise by about 12% with most of the increase in consumption occurring in India, the EU, Malaysia and Indonesia. By comparison, the majority of the expected 14% increase in rapeseed/canola oil consumption occurs in China, India, the EU and Japan as those countries take advantage of increased disposable income and lower prices. Consumption of soyoil is expected to decline by about 1.5%, however, due to a decrease in usage within China, India, Pakistan, and the Former Soviet Union.

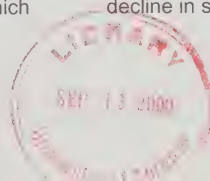
World **trade** in vegetable oil is expected to increase marginally, largely due to the expansion of trade in palmoil which

offsets a decline in exports of soyoil. Exports of palmoil have increased with the largest rise in imports occurring in India, China, and the EU.

Carry-out stocks of vegetable oil are expected to increase by about 8% in 1999-2000 with the largest buildup in stocks occurring in palmoil in Malaysia. Carry-out stocks of rapeseed/canola oil is expected to increase by almost 20%.

SOYOIL

World soyoil production is forecast by the USDA to decrease marginally for 1999-2000 partly due to the reduction in raw soybeans supplies which is offsetting support from stable crush margins. Consumption of soyoil is expected to decline due to competition from palmoil and rapeseed/canola oil. Exports of soyoil are expected to decline while carry-out stocks are forecast to remain unchanged from 1998-1999. World trade in soyoil has decreased largely as the result of the decline in exports from the US and Brazil and to a smaller degree, the EU. Exports of soyoil from Argentina are expected to remain stable. The largest decline in soyoil imports is expected to



occur in China, and India, which is partly offset by a slight increase in Latin American imports.

In the **US**, supplies of soyoil are expected to rise due to the aggressive crush pace by US processors as they crush for the relatively strong protein meal market. This has pressured world soyoil prices and increased US supplies to burdensome levels, which in turn, pressures the prices of palmoil and rapeseed oil. However, US crush volumes declined during the first quarter of 2000 as processors shut down plants due to low profits. Because of the increase in world production, US exports of soyoil are expected to decline by 30% due to

increased competition from palm oil supplies and China's switch to importing seed rather than vegetable oil. Lower shipments to China, Hong Kong, and the Republic of Korea have partly offset an increase in exports to Mexico.

Domestic consumption of soyoil is projected to increase by 0.16 Mt as the increase in supplies and lower prices stimulate consumption. Carry-out stocks are expected to increase by 40%, to 0.97 Mt, a burdensomely high level, while the US season average price is forecast to decrease

to US\$0.155 a pound (/lb) versus US\$0.199/lb for 1998-1999.

In **Brazil**, production of soyoil in 1999-2000 is expected to decrease marginally, while exports of soybeans rise, largely as a result of the removal of export taxes on soybean products, which occurred in 1996. Before 1996, soybeans had a higher export tax than

VEGETABLE OIL: TRADE *

| | 1996 -1997 | 1997 -1998 | 1998 -1999 | 1999 -2000 |
|---------------------------|---------------|---------------|---------------|---------------|
|million tonnes..... | | | | |
| SOYOIL | | | | |
| Major Exporters | | | | |
| Argentina | 1.79 | 2.10 | 3.08 | 3.12 |
| European Union | 0.62 | 0.63 | 0.66 | 0.68 |
| Brazil | 1.29 | 1.18 | 1.50 | 1.30 |
| United States | 0.92 | 1.40 | 1.08 | 0.70 |
| Major Importers | | | | |
| China | 1.67 | 1.65 | 0.95 | 0.75 |
| European Union | 0.56 | 0.53 | 0.58 | 0.55 |
| RAPSEED/CANOLA OIL | | | | |
| Major Exporters | | | | |
| European Union | 0.61 | 0.77 | 0.71 | 0.75 |
| Canada | 0.66 | 0.84 | 0.79 | 0.76 |
| Major Importers | | | | |
| India | 0.03 | 0.07 | 0.23 | 0.35 |
| China | 0.37 | 0.44 | 0.21 | 0.10 |
| United States | 0.50 | 0.50 | 0.50 | 0.55 |
| PALMOIL | | | | |
| Major Exporters | | | | |
| Malaysia | 6.90 | 7.50 | 8.10 | 8.90 |
| Indonesia | 2.08 | 2.36 | 3.00 | 3.00 |
| Major Importers | | | | |
| European Union | 1.96 | 2.03 | 2.07 | 2.22 |
| China | 1.85 | 1.49 | 1.42 | 1.65 |
| Pakistan | 1.02 | 1.21 | 1.05 | 1.09 |
| India | 1.40 | 1.68 | 2.68 | 3.16 |

* Selected countries

Source: FAS, USDA, Oil World, AAFC

WORLD: OILSEED AND VEGETABLE OIL SUPPLY AND DISPOSITION

| | 1998 -1999 | 1999 -2000 | 2000 -2001f |
|--------------------------|---------------|---------------|----------------|
|million tonnes..... | | | |
| OILSEEDS | | | |
| PRODUCTION | | | |
| Soybeans | 159.0 | 153.5 | 158.0 |
| Rapeseed/Canola | 35.9 | 42.6 | 40.0 |
| Other ¹¹ | <u>100.7</u> | <u>102.6</u> | <u>99.0</u> |
| Total | 295.6 | 298.7 | 297.0 |
| CRUSH | | | |
| Soybeans | 134.0 | 134.3 | 136.0 |
| Rapeseed/Canola | 32.5 | 37.4 | 37.0 |
| Other ¹¹ | <u>74.5</u> | <u>76.6</u> | <u>76.0</u> |
| Total | 241.0 | 248.3 | 249.0 |
| VEGETABLE OILS | | | |
| PRODUCTION | | | |
| Soyoil | 24.3 | 24.2 | 24.5 |
| Palmoil | 19.3 | 21.0 | 21.7 |
| Rapeseed/Canola oil | 12.1 | 13.8 | 13.7 |
| Other ¹² | <u>26.8</u> | <u>27.4</u> | <u>27.0</u> |
| Total | 82.5 | 86.4 | 86.9 |
| TRADE | | | |
| Soyoil | 7.9 | 7.3 | 7.5 |
| Palmoil | 12.5 | 13.4 | 13.5 |
| Rapeseed/Canola oil | 2.8 | 2.7 | 2.5 |
| Other ¹² | <u>8.6</u> | <u>8.7</u> | <u>8.5</u> |
| Total | 31.8 | 32.1 | 32.0 |
| CARRY-OUT STOCKS | | | |
| Soyoil | 2.3 | 2.3 | 2.3 |
| Palmoil | 2.5 | 3.0 | 3.0 |
| Rapeseed/Canola oil | 0.6 | 0.7 | 0.5 |
| Other ¹² | <u>2.5</u> | <u>2.5</u> | <u>2.2</u> |
| Total | 7.9 | 8.5 | 8.0 |

f: AAFC forecast, March 2000

¹¹ Includes cottonseed, sunflowerseed, peanut, copra, palm kernel, flaxseed and marine oils.

¹² Includes cottonseed, sunflowerseed, peanut, coconut, flaxseed, and palm kernel oils.

Source: USDA

meal or oil. It has switched from being a major exporter of soybean products to a major exporter of raw soybeans. For Brazil, supplies of soyoil are expected to decrease by 3% to 4.2 Mt, due to lower carry-in stocks and the marginal decrease in production to 3.9 Mt. Exports of soyoil are expected to decline to 1.3 Mt from 1.5 Mt for 1998-1999.

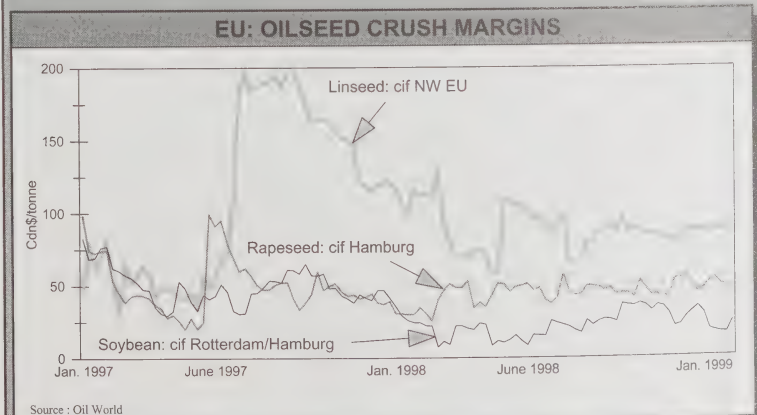
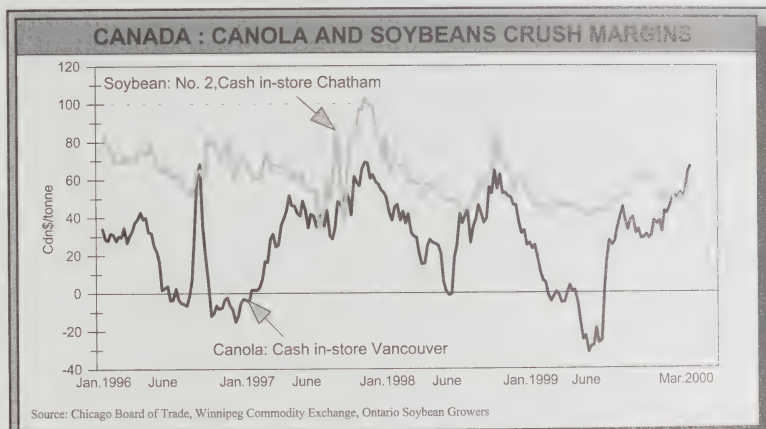
By contrast, in **Argentina** the tax system penalizes the export of unprocessed beans but gives a rebate to exporters of meal and oil. As a result, exports of soyoil have doubled since 1995-1996, while exports of soybeans are expected to make up less than 20% of total production for 1999-2000. The increase in soyoil exports has also been facilitated by the increase in crushing capacity and by the fact that most of the soybeans are grown within a relatively short distance from its ports, be it the Paraná River or along the coast. Most of the new capacity operates at a far lower cost than the older and smaller-scale mills in Brazil, which are also not as well placed geographically. In Argentina, supplies of soyoil are forecast to increase marginally to 3.5 Mt for 1999-2000 as a slight increase in production, to 3.2 Mt, offsets a slight decline in carry-in stocks. Exports are forecast to increase marginally from 1998-1999 to 3.1 Mt for 1999-2000, versus 2.1 Mt for 1997-1998.

PALMOIL

Investors in palm tree plantations face numerous risks, including time, weather, politics, exchange rate risk, technology risk and environmental risk. It takes a minimum of three years between clearing the land and first harvest, with breakeven not occurring until year 7 or 8, longer than the typical loan period in Asia. A typical plantation is expected to last 25 years. Trees are vulnerable to

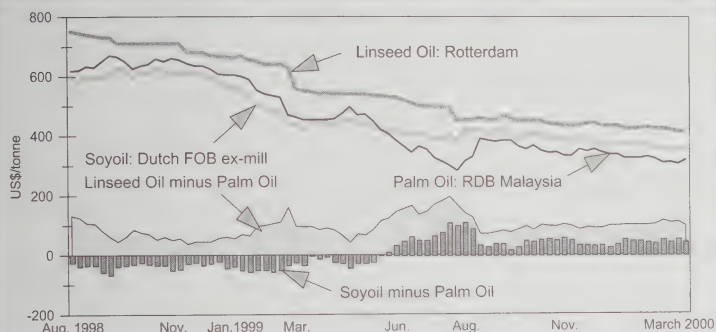
drought and other vagaries of weather. Turmoil in some regions has resulted in some borrowers defaulting on loans and has caused concerns among other shareholders. While palm oil exports are generally in US dollars, which has alleviated the impact of the financial crisis, some operators have been affected by export restrictions.

Malaysia and Indonesia account for about 75% of palm oil world production which is estimated at 21 Mt for 1999-2000 versus 19.3 Mt for 1998-1999. Supplies of palm oil are forecast to increase by 13% due to significantly higher carry-in stocks which supplement the rise in production. Consumption of palm oil is also expected to rise sharply, due in part to



Crush margins for Canada have been quite variable compared to the EU. Canola crush margins have varied by about \$80/t from high to low during 1999-2000 while in the EU, the crush margins for canola have been remained steady at around \$50/t. The lower crush margins in Canada reflects lower world vegetable oil prices, as reflected by the Chicago Board of Trade soyoil contract. Canola crush margins in Canada have been at a discount to soybeans for most of 1999-2000, due to weak vegetable oil prices relative to protein meal, while in the EU, the soybean crush margin has been at a discount to canola for almost two years. The EU linseed crush margin increased significantly during 1997 due to the concurrent slide in Canadian flaxseed prices from \$380/t in March of 1997 to \$309/t by July 25 of the same year.

EU: VEGETABLE OIL PRICES



Source: Oil World

Palmoil prices declined by about 50% from September 1999 to March 2000, switching to a discount from a premium vis-à-vis soyoil in May 1999 due to the unexpectedly high rebound in yields of Malaysian palm trees. Linoil continues to enjoy an approximate \$100/t premium over palmoil due to its specialized use in paints and upscale toilette products. Prices of rapeseed/canola oil follow soyoil closely and are not displayed due to the overlap between the two.

the increase in available supplies, decrease in prices, and improved financial outlook in some importing countries. As a result, trade in palmoil is expected to rise by 7%. However, carry-out stocks are projected to rise by 20% to 3.0 Mt as the sharp rise in supplies exceed the growth in consumption, and the stocks-to-use-ratio increases to 15% versus 14% for 1998-1999.

For **Malaysia**, production of palmoil increased by 27% to 10.6 Mt for 1999-2000, as yields increased to 3.87 tonnes per hectare (t/ha) from 3.27 t/ha in 1998-1999 due to better moisture conditions. For 1999, exports of palmoil rose by almost 10% from the previous calendar year with India, the EU and Pakistan being the largest importers. Carry-out stocks are projected to increase by 25% for 1999-2000 as production outstrips demand.

In **Indonesia**, the production of palmoil increased by 0.6 Mt, as the mature area of palm trees rose by 12% and was complemented by higher yields.

As a result, total supplies of palmoil are expected to rise by 12% as the increase in production supplements a major rise in carry-in stocks. Exports of palmoil are expected to remain unchanged. Carry-out stocks are expected to increase significantly for 1999-2000.

RAPESEED/CANOLA OIL

World production of rapeseed/canola oil is projected to rise by 14% in 1999-2000 (October-September) due to increased crush in China, the EU and India. Total supplies of rapeseed/canola oil are expected to rise by 12%, to 14.4 Mt, as an increase in carry-in stocks supplements the rise in production. Total disappearance is expected to rise to 13.5 Mt for 1999-2000, from 11.9 Mt the previous year. Exports of rapeseed/canola oil are expected to fall slightly to 2.7 Mt, due to an increase in crushing in the consuming countries, and lower shipments from Canada. Carry-out stocks are forecast to increase slightly.

In 1998-1999, **China** restricted imports of vegetable oil by enforcing the tariffs on soy and canola oils, limiting the amount of import licenses issued and by cracking down on the smuggling of vegetable oils in an apparent attempt to support its domestic crushing industry. The result was a sharp decrease in the imports of rapeseed/canola oil from around 0.4 Mt in 1997-1998 to about 0.1 Mt expected for 1999-2000, while imports of rapeseed/canola seed rose to an estimated 3.2 Mt from 0.3 Mt in 1998-1999. Imports of raw oilseeds were supported by relatively low tariffs. For 1999-2000, the crushing of rapeseed/canola in China is forecast to increase by 30% to 12.5 Mt, resulting in canola oil output rising to 4.4 Mt, versus 3.6 Mt the previous year.

EU production of rapeseed/canola oil is forecast to increase by 8% to 3.8 Mt for 1999-2000 as a result of stable crush margins. Supplies are expected to rise to 4.1 Mt versus 3.8 Mt in 1998-1999 as the higher production is supplemented by an increase in carry-in stocks. Domestic usage of rapeseed/canola oil is forecast to rise by 7% to 2.9 Mt largely due to the expansion in the industrial use of canola oil, especially biodiesel. Exports of rapeseed/canola oil are

CANADA: CANOLA OIL EXPORTS BY COUNTRY OF DESTINATION

| | 1996 -1997 | 1997 -1998 | 1998 -1999 | 1999 -2000f |
|---------------------------|---------------|---------------|---------------|----------------|
|thousand tonnes..... | | | | |
| United States | 424.4 | 418.9 | 408.6 | 580.0 |
| Hong Kong | 85.7 | 156.1 | 85.2 | 70.0 |
| South Korea | 40.0 | 101.9 | 101.0 | 30.0 |
| India | 5.6 | 14.6 | 20.1 | 20.0 |
| Japan | 24.3 | 31.4 | 7.9 | 10.0 |
| China | 42.5 | 71.2 | 63.6 | 10.0 |
| Malaysia | 0.0 | 0.0 | 39.8 | 10.0 |
| Other | 18.7 | 45.0 | 63.8 | 25.0 |
| Total | 641.2 | 839.1 | 790.0 | 755.0 |

f: AAFC forecast, March 2000
Source: Statistics Canada

forecast to rise by almost 6% to 0.75 Mt.

In **India**, production of rapeseed/canola oil is expected to rise by 14% to 1.8 Mt due to higher domestic crush resulting from the 16% increase in rapeseed production combined with a sharp decrease in the output of peanuts (groundnuts) and soybeans.

In **Canada**, due to burdensome supplies of edible oils on the world market, the pace of canola crush was slower than warranted by the crush margins. Production and supply of canola oil in Canada are expected to decrease slightly.

Canola crush volumes are expected to increase in the second half of 1999-2000 as a reduction in export demand for canola, lower prices, and large supplies of canola increase the profitability of crushing canola. Canola oil exports are expected to decrease by 4%, as lower exports into Asian countries more than offset higher shipments to the US.

Due to the strong demand for protein meals, crushing of soybeans in Canada is expected to increase to a record 1.8 Mt for 1999-2000 causing production of soyoil to increase by about 17%. Domestic consumption is expected to increase slightly, while exports increase significantly.

OUTLOOK: 2000-2001

World output of vegetable oil is expected to increase due to the higher output of soyoil and palmoil which more than offsets a lower production of rapeseed/canola oil. The supplies of edible oil is expected to rise due to a 5% increase in carry-in stocks, in addition to higher production. Consumption of vegetable oil is forecast to increase at the trend rate of 4%, to 88-89 Mt, due

to strong global economic growth, combined with higher disposable incomes. Because of the modest increase in production and relatively strong rise in usage, carry-out stocks are forecast to decline to 8.0 Mt which will support the price of vegetable oil.

US soyoil production is forecast by the USDA to increase by 3% to 18.5 Mt due to an increase in soybean crushing to satisfy the strong demand for protein meal. Supplies of soyoil are expected to rise as increased carry-in stocks supplement the rise in production.

Exports of soyoil are forecast to increase partly in response to the stronger Asian economy. Domestic consumption is forecast to rise by 2%, to around 7.4 Mt. As a result, carry-out stocks of soyoil are expected to rise by 10% to about 1.1 Mt, while the price of soyoil is forecast to decline to US\$0.15/lb. This is expected to continue pressuring worldwide vegetable oil prices.

South American soybean production is forecast to decrease slightly in 2000-2001 in response to lower world soybean prices, which will decrease crush. Production of soyoil is expected to decline by 0.25-0.5 Mt to about 3.5-3.75 Mt. Domestic consumption is forecast to remain

steady, resulting in a 0.25 to 0.5 Mt drop in exports of soyoil. Carry-out stocks of soyoil are expected to remain unchanged at around 0.7 Mt.

World palmoil production is forecast to rise to 21.7 Mt for 2000-2001 from 21.0 Mt the previous year, with the largest increase projected to occur in **Indonesia** where palmoil production is projected to rise by 0.4 Mt to 6.8 Mt. **Malaysian** palmoil production is forecast to remain unchanged at 10.6 Mt. Assuming a 4% rise in

CANADA: CANOLA OIL AND SOYOIL SUPPLY AND DISPOSITION

| Crop Year (August-July) | 1997 -1998 | 1998 -1999 | 1999 -2000f | 2000 -2001f |
|-------------------------------|---------------|---------------|----------------|----------------|
|thousand tonnes..... | | | | |
| CANOLA OIL | | | | |
| Carry-in Stocks ¹¹ | 22 | 23 | 20 | 20 |
| Production ¹² | 1,364 | 1,283 | 1,260 | 1,350 |
| Imports ¹³ | 76 | 14 | 10 | 10 |
| Total Supply | 1,462 | 1,320 | 1,290 | 1,380 |
| Exports ¹³ | 839 | 790 | 755 | 835 |
| Domestic Use ¹⁴ | 600 | 510 | 515 | 525 |
| Total Use | 1,439 | 1,300 | 1,270 | 1,360 |
| Carry-Out Stocks | 23 | 20 | 20 | 20 |
| SOYOIL | | | | |
| Carry-in Stocks ¹¹ | 5 | 5 | 5 | 5 |
| Production ^{12a} | 264 | 277 | 324 | 325 |
| Imports ¹³ | 44 | 13 | 30 | 30 |
| Total Supply | 313 | 295 | 359 | 360 |
| Exports ¹³ | 31 | 32 | 75 | 75 |
| Domestic Use ¹⁴ | 277 | 258 | 279 | 280 |
| Total Use | 308 | 290 | 354 | 355 |
| Carry-Out Stocks | 5 | 5 | 5 | 5 |

f: AAFC forecast, March 2000

¹¹ Carry-in and carry-out stocks are estimated including many assumptions.

¹² For 1999-2000, Conversion factors: canola oil = 0.422 x canola crush; canola meal = 0.62 x canola seed

^{12a} For 1999-2000, Conversion factors: soyoil = 0.18 x soybean crush; soybean meal = 0.82x soybean seed

¹³ 1998-1999 based on Canadian Oilseeds Processors Data minus hydrogenated oil. Exports and imports of canola and soyoil include crude and refined oil, but exclude hydrogenated oil and processed products (margarine, salad oil and shortening).

¹⁴ Domestic use=Total Supply minus Exports minus Carry-out Stocks. Domestic use includes exports of processed products.

Source: Statistics Canada, "Cereals and Oilseeds Review", Cat. No.22-007, Canadian Oilseeds Processors Association

palmoil consumption, world usage of palmoil is forecast to rise by about 1.2 Mt. As a result, carry-out stocks of palmoil are forecast to remain unchanged for 2000-2001, easing the pressure on world vegetable oil prices.

MEDIUM-TERM OUTLOOK: 2000-2005

Over the medium-term, world production and consumption of vegetable oils are projected by *Oil World* to increase to about 140 Mt due largely to the continued rise in per capita disposable incomes and a demand for improved diets.

Palmoil is forecast to become the dominant vegetable oil by around 2020 by *Oil World*, as palm tree plantations expand into South America, Africa, and South-East Asia. Barring a return to more profitable prices, it will be difficult to maintain the area currently devoted to oilseeds in developed countries without the support of continued farm programs. Area seeded to soybeans in the US and rapeseed/canola in the EU are above levels justified by current market prices. However, given the strong growth in demand, prices for edible oils are expected to rise over the medium-term and, perhaps by as early as the latter half of 2000-2001.

For more information please contact:

Chris Beckman,
Oilseeds Analyst
Phone: (204) 984-4929
E-mail: beckmac@em.agr.ca

World rapeseed/canola production is expected to decline by about 5-10% for 2000-2001. Supplies of canola are forecast to decline only slightly, however, due to the large volume of carry-in stocks. The volume of crush and the production of rapeseed/canola oil are forecast to decrease slightly despite an increase in processing in China and India.

World rapeseed/canola oil consumption is forecast to rise by 4-5% to 14.7-14.9 Mt, in line with the increase in consumption of other vegetable oils. **Carry-out stocks** of rapeseed/canola oil are forecast to decline by 0.2 Mt for 2000-2001, in line with the projected decrease in carry-out stocks of palm oils.

Chinese demand for vegetable oil is forecast to remain strong for 2000-2001, resulting in an increased crushing of canola to around 12.5-13.5 Mt. **Indian** production of rapeseed/canola oil is forecast to remain steady at about 1.8-1.9 Mt, but strong domestic demand for vegetable oil, combined with possible low domestic supplies, is forecast to increase palmoil imports to 3.2-3.5 Mt for 2000-2001. **EU** production of rapeseed/canola oil is projected to rise by about 0.5 Mt, to around 9.5 Mt, due to stable crush margins in the Cdn\$50 per tonne (t) range and excess crush capacity.

In **Canada**, crushing of canola is forecast to rise by 7% to 3.2 Mt for 2000-2001 due to large available supplies of canola, stronger crush margins, and improved demand for vegetable oil.

PALMOIL: SUPPLY AND DISPOSITION

| | 1997 -1998 | 1998 -1999 | 1999 -2000f | 2000 -2001f |
|--------------------------------|--------------------------|---------------|----------------|----------------|
| |million tonnes..... | | | |
| WORLD ¹¹ | | | | |
| Carry-in Stocks | 1.9 | 1.6 | 2.5 | 3.0 |
| Production | <u>17.0</u> | <u>19.3</u> | <u>21.0</u> | <u>21.7</u> |
| Total Supply | 18.9 | 20.9 | 23.5 | 24.7 |
| Consumption | 17.3 | 18.4 | 20.5 | 21.7 |
| Trade | 11.1 | 12.5 | 13.4 | 13.5 |
| Carry-Out Stocks | 1.6 | 2.5 | 3.0 | 3.0 |
| MALAYSIA ¹¹ | | | | |
| Carry-in Stocks | 0.9 | 0.7 | 1.2 | 1.5 |
| Production | <u>8.6</u> | <u>9.8</u> | <u>10.6</u> | <u>10.6</u> |
| Total Supply | 9.5 | 10.5 | 11.8 | 12.1 |
| Consumption | 1.3 | 1.2 | 1.4 | 1.5 |
| Exports | 7.5 | 8.1 | 8.9 | 9.1 |
| Carry-Out Stocks | 0.7 | 1.2 | 1.5 | 1.5 |
| INDONESIA ¹² | | | | |
| Carry-in Stocks | 0.2 | 0.2 | 0.3 | 0.6 |
| Production | <u>5.0</u> | <u>5.8</u> | <u>6.4</u> | <u>6.8</u> |
| Total Supply | 5.2 | 6.0 | 6.7 | 7.4 |
| Consumption | 2.6 | 2.7 | 3.1 | 3.1 |
| Exports | 2.4 | 3.0 | 3.0 | 3.5 |
| Carry-Out Stocks | 0.2 | 0.3 | 0.6 | 0.8 |

f: AAFC forecast, March 2000

¹¹ crop year

¹² calendar years: 1997, 1998, 1999, and 2000 respectively.

Source: USDA (FAS/ERS)

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

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Policy Branch,
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Agriculture and Agri-Food Canada,
500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

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AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Policy Branch - Market Analysis Division - Winnipeg, Manitoba
CANADIAN GRAINS AND OILSEEDS OUTLOOK March 28, 2000

For 2000-01, world wheat prices (excluding durum) are expected to strengthen slightly from the extremely low 1999-00 level, due to lower US production and tightening world supplies. Coarse grain prices are expected to remain at historically low levels in 2000-01, due to continued high corn supplies in the US and barley supplies in the EU. Oilseed prices are expected to decrease from the low levels of 1999-00 due to burdensome world oilseed supplies, especially US soybeans, and low edible oil prices. The major factors to watch are: growing conditions in the major importing and exporting regions, particularly the potential for drought in the US Midwest; US Loan Deficiency Payments; the aggressiveness of EU export subsidies; import demand from China and the Canada/US exchange rate.

Area seeded in western Canada is forecast to shift out of oilseeds into durum, barley, spring wheat and special crops mainly due to higher expected net returns. Assuming that, in general, yields decrease from the record highs of 1999-00, total production of grains and oilseeds in Canada is forecast by AAFC to decrease to 63.0 million tonnes (Mt), from 66.2 Mt in 1999-00. Supplies, however, are not expected to decrease to the same extent due to higher carry-in stocks. Total exports are projected to decrease slightly, as lower spring wheat and corn exports more than offset higher barley, oat and flaxseed exports.

WHEAT (ex-durum)

For 1999-00, exports are expected to rise significantly, but remain well below the 10-year average of 16 Mt. Carry-out stocks are projected to increase, but remain below the 10-year average of about 7 Mt.

For 2000-01, Canadian production is forecast by AAFC to decline by 6%, with lower yields offsetting a higher seeded area. Exports are projected to decline slightly due to the lower supplies. Carry-out stocks are forecast to fall, due to lower supplies and good demand. The Canadian Wheat Board (CWB) 2000-01 Pool Return Outlook (PRO) for No.1 CWRs is \$158-188/t I/S VC/SL, with the midpoint \$7/t above the 1999-00 PRO. Protein premiums are expected to decline slightly. Ontario wheat production is forecast to decline by 13% to 1.3 Mt, due to lower expected yields. The Ontario Wheat Producers' Marketing Board Estimated Pool Return for No.1 CEWW wheat is \$120/t, terminal or processor location, \$10/t above 1999-00.

DURUM

For 1999-00, durum exports are expected to decline slightly, due to low supplies of high quality durum. Carry-out stocks are forecast to fall sharply, due to strong exports and lower production. For 2000-01, due to an increase in seeded area, durum production is forecast to increase significantly. This will be partially offset by lower carry-in stocks, which will moderate the increase in supply. Exports are forecast to increase slightly, due to dryness in North Africa, assuming a return to normal crop quality and protein content in western Canada. However, any increase will be limited by a larger expected crop in the EU and increased competition from other exporters. Carry-out stocks are projected to rise but remain below 1998-99. The CWB PRO for No.1 CWAD is \$170-200/t, with the midpoint \$13/t below 1999-00.

BARLEY

For 1999-00, feed barley exports are forecast by the CWB to rise to 0.6 Mt, from 0.1 Mt in 1998-99, but remain historically low. Malting barley exports are forecast to rise due to increased demand from the US and China. Carry-out stocks are expected to decline marginally. For 2000-01, supply is forecast to increase marginally, with higher production

offsetting lower stocks. Feed barley exports are forecast to remain at an historically low 0.6 Mt, while malting barley exports continue to increase. Domestic feed demand is expected to strengthen due to increased livestock numbers. As a result, carry-out stocks are expected to decrease. Off-Board feed barley prices are forecast to remain similar to 1999-00. The CWB PRO for No.1 CW feed barley is \$119-149/t, with the midpoint \$2/t above 1999-00. Malting barley prices are expected to decrease due to larger supplies in the US, Canada and Australia. The CWB PRO for Special Select (SS) 2-Row Designated Barley is \$169-199/t, with the midpoint \$5/t below 1999-00. The discount for SS 6-Row is \$15/t versus \$4/t for 1999-00.

OATS

For 1999-00, oat exports are expected to decline due to continued competition from Scandinavian oats in the US feed market. Oat product exports, however, are forecast to remain strong. Carry-out stocks are forecast to remain high due to the large supplies.

For 2000-01, supplies are forecast to decline slightly due to lower production. Exports to the US are expected to increase slightly, due to higher US import demand. The price is expected to be unchanged from 1999-00.

CORN

For 1999-00, despite record production, imports of US corn are expected to rise due to increased industrial use. Exports are also forecast to rise marginally, as a result of larger domestic supplies. Carry-out stocks are projected to increase.

For 2000-01, production is forecast to decline due to lower expected yields. To offset lower domestic supplies, imports are expected to rise while exports fall. Feed and industrial use are expected to be similar to 1999-00. Carry-out stocks are forecast to fall due to lower domestic supplies. The Chatham corn price is expected to increase by \$5/t. The Chicago price is forecast to rise slightly, and the Chicago-Chatham basis is expected to strengthen due to increased net imports, which will offset the impact of a stronger Canadian dollar.

CANOLA

For 1999-00, exports are expected to increase slightly due to the strong pace of Chinese imports. Domestic crush is expected to fall slightly, despite favourable crush margins, due to weak markets for edible oil. Carry-out stocks are expected to rise sharply due to record production.

For 2000-01, production is forecast to fall by 18% due to a decrease in seeded area and lower yields. However, supplies are forecast to decline by only 3%, due to large carry-in stocks. Exports are forecast to remain unchanged while domestic crush increases by 7%. Carry-out stocks are expected to fall, but remain burdensome. Prices are projected to drop by 5-10% due to lower US soybean prices and increased world edible oil supplies.

FLAXSEED (excluding solin)

For 1999-00, exports to the EU and the US are expected to decline sharply. Carry-out stocks are forecast to more than triple to a burdensome level.

For 2000-01, production is forecast to decline sharply due to lower seeded area. However, supplies are expected to rise slightly due to high carry-in stocks. Exports are forecast to rise by about 33% due to increased demand from the EU and US. Continuing burdensome carry-out stocks are expected to result in prices declining slightly from the lows of 1999-00.

SOYBEANS

For 1999-00, imports are projected to rise by 60%. Due to projected higher exports and domestic crush, carry-out stocks are expected to remain steady.

For 2000-01, production is forecast to decrease slightly but exports and domestic crush are expected to remain firm at historically high levels. Prices are forecast to decline by almost 10% from the lows of 1999-00 due to projected record high soybean production in the US.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains, Fred Oleson, Chief 983-0807
E-mail.....olesonf@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mail.....beckmac@em.agr.ca
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CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

MARCH 28, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1998-1999 | 2,914 | 2.07 | 6,042 | 3 | 6,802 | 3,851 | 182 | 647 | 999 | 1,952 | 201 |
| 1999-2000f | 1,760 | 2.42 | 4,259 | 10 | 6,221 | 3,700 | 180 | 621 | 1,021 | 1,500 | 198 * |
| 2000-2001f | 2,285 | 2.24 | 5,110 | 1 | 6,611 | 3,800 | 185 | 696 | 1,111 | 1,700 | 170-200 * |
| Wheat Except Durum | | | | | | | | | | | |
| 1998-1999 | 7,764 | 2.32 | 18,034 | 77 | 23,363 | 10,873 | 2,691 | 3,549 | 7,078 | 5,413 | 184 |
| 1999-2000f | 8,603 | 2.63 | 22,591 | 10 | 28,014 | 14,800 | 2,675 | 3,654 | 7,214 | 6,000 | 166 * |
| 2000-2001f | 8,965 | 2.36 | 21,160 | 15 | 27,175 | 14,400 | 2,700 | 3,685 | 7,275 | 5,500 | 158-188 |
| All Wheat | | | | | | | | | | | |
| 1998-1999 | 10,678 | 2.25 | 24,076 | 80 | 30,165 | 14,723 | 2,873 | 4,196 | 8,077 | 7,365 | |
| 1999-2000f | 10,364 | 2.59 | 26,850 | 20 | 34,235 | 18,500 | 2,855 | 4,275 | 8,235 | 7,500 | |
| 2000-2001f | 11,250 | 2.34 | 26,270 | 16 | 33,786 | 18,200 | 2,885 | 4,381 | 8,386 | 7,200 | |
| Barley | | | | | | | | | | | |
| 1998-1999 | 4,272 | 2.98 | 12,709 | 55 | 15,223 | 1,695 | 375 | 10,081 | 10,841 | 2,687 | 117 |
| 1999-2000f | 4,069 | 3.24 | 13,196 | 25 | 15,908 | 2,500 | 410 | 9,993 | 10,808 | 2,600 | 105-115 |
| 2000-2001f | 4,275 | 3.15 | 13,485 | 25 | 16,110 | 2,700 | 435 | 10,070 | 10,910 | 2,500 | 95-125 |
| Corn | | | | | | | | | | | |
| 1998-1999 | 1,118 | 8.01 | 8,952 | 893 | 10,737 | 830 | 1,845 | 7,147 | 9,023 | 885 | 110 |
| 1999-2000f | 1,141 | 7.97 | 9,096 | 1,050 | 11,031 | 850 | 2,000 | 7,175 | 9,206 | 975 | 100-120 |
| 2000-2001f | 1,135 | 7.34 | 8,330 | 1,150 | 10,455 | 450 | 2,000 | 7,174 | 9,205 | 800 | 100-130 |
| Oats | | | | | | | | | | | |
| 1998-1999 | 1,592 | 2.49 | 3,958 | 3 | 4,807 | 1,491 | 226 | 1,833 | 2,224 | 1,092 | 132 |
| 1999-2000f | 1,398 | 2.60 | 3,641 | 4 | 4,737 | 1,400 | 220 | 1,857 | 2,237 | 1,100 | 120-130 |
| 2000-2001f | 1,400 | 2.55 | 3,575 | 3 | 4,678 | 1,450 | 225 | 1,838 | 2,228 | 1,000 | 110-140 |
| Rye | | | | | | | | | | | |
| 1998-1999 | 204 | 1.96 | 398 | 0 | 462 | 80 | 57 | 140 | 217 | 164 | |
| 1999-2000f | 169 | 2.29 | 387 | 2 | 553 | 85 | 65 | 195 | 278 | 190 | |
| 2000-2001f | 139 | 2.16 | 300 | 1 | 491 | 75 | 65 | 160 | 246 | 170 | |
| Mixed Grains | | | | | | | | | | | |
| 1998-1999 | 198 | 2.77 | 548 | 0 | 548 | 0 | 0 | 548 | 548 | 0 | |
| 1999-2000f | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001f | 180 | 2.78 | 500 | 0 | 500 | 0 | 0 | 500 | 500 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1998-1999 | 7,384 | 3.60 | 26,565 | 952 | 31,777 | 4,096 | 2,503 | 19,749 | 22,853 | 4,828 | |
| 1999-2000f | 6,930 | 3.86 | 26,767 | 1,081 | 32,676 | 4,835 | 2,695 | 19,667 | 22,976 | 4,865 | |
| 2000-2001f | 7,129 | 3.67 | 26,190 | 1,179 | 32,234 | 4,675 | 2,725 | 19,742 | 23,089 | 4,470 | |
| Canola | | | | | | | | | | | |
| 1998-1999 | 5,421 | 1.41 | 7,643 | 157 | 8,163 | 3,900 | 3,063 | 542 | 3,649 | 614 | 373 |
| 1999-2000f | 5,564 | 1.58 | 8,798 | 150 | 9,562 | 4,000 | 3,000 | 620 | 3,662 | 1,900 | 270-300 |
| 2000-2001f | 4,950 | 1.45 | 7,200 | 200 | 9,300 | 4,000 | 3,200 | 560 | 3,800 | 1,500 | 255-295 |
| Flaxseed | | | | | | | | | | | |
| 1998-1999 | 874 | 1.24 | 1,081 | 5 | 1,127 | 719 | n/a | n/a | 246 | 162 | 313 |
| 1999-2000f | 793 | 1.32 | 1,049 | 4 | 1,215 | 450 | n/a | n/a | 165 | 600 | 220-250 |
| 2000-2001f | 485 | 1.37 | 665 | 5 | 1,270 | 600 | n/a | n/a | 170 | 500 | 205-245 |
| Soybeans | | | | | | | | | | | |
| 1998-1999 | 980 | 2.79 | 2,737 | 254 | 3,179 | 868 | 1,576 | 396 | 2,064 | 247 | 266 |
| 1999-2000f | 999 | 2.77 | 2,766 | 400 | 3,413 | 900 | 1,800 | 397 | 2,263 | 250 | 235-265 |
| 2000-2001f | 994 | 2.69 | 2,675 | 450 | 3,375 | 900 | 1,805 | 400 | 2,275 | 200 | 210-250 |
| Total Oilseeds | | | | | | | | | | | |
| 1998-1999 | 7,275 | 1.58 | 11,461 | 417 | 12,469 | 5,487 | 4,639 | 938 | 5,959 | 1,023 | |
| 1999-2000f | 7,357 | 1.71 | 12,613 | 554 | 14,190 | 5,350 | 4,800 | 1,017 | 6,090 | 2,750 | |
| 2000-2001f | 6,429 | 1.64 | 10,540 | 655 | 13,945 | 5,500 | 5,005 | 960 | 6,245 | 2,200 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1998-1999 | 25,336 | 2.45 | 62,102 | 1,448 | 74,411 | 24,307 | 10,015 | 24,883 | 36,889 | 13,216 | |
| 1999-2000f | 24,650 | 2.69 | 66,231 | 1,655 | 81,102 | 28,685 | 10,350 | 24,960 | 37,302 | 15,115 | |
| 2000-2001f | 24,808 | 2.54 | 63,000 | 1,850 | 79,965 | 28,375 | 10,615 | 25,083 | 37,720 | 13,870 | |

(a) Aug.-July crop year except corn and soybeans which are Sept. - Aug.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver), Barley (No.1 Feed, WCE cash I/S, Lethbridge), Corn (No.2 CE cash I/S, Chatham), Oats (No. 3 CW, WCE cash Track Minneapolis); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB Pool Return Outlook, March 2000.

f - Agriculture and Agri-Food Canada forecast March 2000.

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

CANADA: SPECIAL CROPS SITUATION AND OUTLOOK

March 28, 2000

For 2000-2001, total area seeded to special crops in Canada is forecast to increase by 10%, due mainly to higher seeded area for dry peas, lentils and chick peas. Assuming trend yields, which in general are lower than in 1999-2000, production is forecast to decrease slightly. However, total supply is expected to increase slightly due to higher carry-in stocks. Exports are forecast to increase, but domestic use is expected to remain stable. Carry-out stocks are forecast to decrease by 10%. Average prices for peas and canary seed are forecast to increase slightly, while mustard seed and sunflower seed prices remain similar to 1999-2000. Average prices for lentils and chick peas are forecast to decrease, with marginal price decreases forecast for dry beans and buckwheat. The main factors to watch are growing conditions in Canada and other major importing and exporting countries, and the value of the Canadian dollar relative to the currencies of importing countries.

DRY PEAS

For 1999-2000, production and total supply decreased slightly. Exports are expected to decrease due mainly to lower expected sales to Asia, while domestic use increases. Carry-out stocks are forecast to increase, with a stocks-to-use (s/u) ratio of 10%. The average price over all types, grades and markets is forecast to be similar to 1998-99. **For 2000-2001**, production is forecast to decrease slightly, as a 15% increase in the seeded area is more than offset by lower trend yields. Total supply is expected to decrease marginally. Exports and domestic use are forecast to increase slightly. Carry-out stocks are forecast to decrease to a very low level, with a s/u ratio of 4%. Lower world supply of dry peas is expected to support prices for food peas. The support for feed pea prices from lower supply and higher corn prices, is expected to be partly offset by lower protein meal prices. Therefore, the average price is forecast to rise by 5-10%.

LENTILS

For 1999-2000, production and total supply increased by about 50%, with low carry-in stocks. Exports and domestic use are forecast to increase. Carry-out stocks are forecast to rise, with a s/u ratio of 13%. The average price over all types and grades is forecast to be similar to 1998-1999, in line with stable world supply. **For 2000-2001**, production is forecast to increase by 5%, as a 15% increase in seeded area is partly offset by lower trend yields. However, total supply is forecast to increase by 15% due to higher carry-in stocks. Exports are expected to increase due to strong world demand. Carry-out stocks are forecast to increase, with a s/u ratio of 23%. The average price is forecast to fall by 10%, as pressure from higher world supply and carry-out stocks offsets support from higher average crop quality in Canada.

DRY BEANS

For 1999-2000, production increased by about 55%, but since carry-in stocks were low, total supply increased by only 30%. Although exports and domestic use are forecast to increase, carry-out stocks are expected to rise, with a s/u ratio of 16%. The average price over all types and grades is forecast to fall by 18%, due to higher world supply. **For 2000-2001**, production is forecast to remain stable, as a 5% increase in seeded area is offset by lower trend yields. Total supply is expected to increase slightly due to higher carry-in stocks. Exports are forecast to remain stable, while domestic use

increases slightly. Carry-out stocks are expected to increase slightly, with a s/u ratio of 18%. The average price is forecast to decrease slightly, in line with a marginal increase in total world supply.

CHICK PEAS

For 1999-2000, production and total supply quadrupled, in line with increased harvested area. Exports and domestic use are forecast to increase with the larger supply. Carry-out stocks are forecast to increase, with a s/u ratio of 11%. The average price over both types and all sizes and grades is forecast to decrease by about 20%, due to lower prices, lower average quality of the crop and some shift in production to the lower priced desi type.

For 2000-2001, production is forecast to increase by about 15%, because of a 15% increase in the seeded area and lower abandonment rate, which are partly offset by lower trend yields. Assuming normal growing conditions and a shift in production out of marginal growing areas, the average quality of the crop is expected to improve. Total supply is forecast to increase by 20% due to increased carry-in stocks. Exports are forecast to increase by about 80% because of higher expected quality of the crop and larger supply. Domestic feed use is forecast to drop sharply as a result of reduced supply of low quality chick peas. Carry-out stocks are forecast to increase, with a s/u ratio of 26%. The average price is forecast to decrease by about 5%, because of larger world supply, which is partly offset by improved crop quality in Canada and a slight shift in production to the higher priced kabuli type.

MUSTARD SEED

For 1999-2000, production and supply both increased by about 30%. Exports are forecast to increase by 15%, while domestic use is expected to rise slightly. Carry-out stocks are forecast to increase to a burdensome level, with a s/u ratio of 57%. The average price over all types and grades is forecast to fall by nearly 20%.

For 2000-2001, although production is forecast to decrease by nearly 20%, due to a 5% decrease in seeded area and lower trend yields, total supply is forecast to remain stable. Exports are expected to grow by 5% while domestic use remains stable. Carry-out stocks are forecast to decrease slightly, but the s/u ratio is forecast to remain high at 52% and the average price is forecast to be similar to 1999-2000.

CANARY SEED

For 1999-2000, although production decreased by 30%, total supply decreased by only 7% due to higher carry-in stocks. Exports are forecast to increase by about 10%. Carry-out stocks are expected to decrease, but remain burdensome, with a s/u ratio of 46% and the average price is forecast to decrease slightly. **For 2000-2001**, production is forecast to decrease by about 5%, in line with the 5% decrease in seeded area. However, total supply is forecast to decrease by about 15% due to lower carry-in stocks. Exports and domestic use are expected to remain stable. Carry-out stocks are forecast to decrease, with a s/u ratio of 26%. This will support prices, which are forecast to increase by about 5% from 1999-00.

SUNFLOWER SEED

For 1999-2000, production increased by 10%, due to higher harvested area. However, total supply increased by 15% because of higher carry-in stocks. Exports and domestic use are expected to increase. Carry-out stocks are forecast to remain stable, with a s/u ratio of 27%. The average price over both types is forecast to decline by nearly 20%. **For 2000-2001**, production is forecast to increase slightly due to a 5% higher seeded area and lower abandonment rate, which are partly offset by lower trend yields. A slight shift from oil type to confectionary type production is expected. Total supply is forecast to be similar to 1999-2000. Exports are forecast to remain stable, while domestic use increases. Carry-out stocks are forecast to decrease, with a s/u ratio of 21%. The average price is forecast to be similar to 1999-00.

BUCKWHEAT

For 1999-2000, production decreased and exports and domestic use are forecast to decrease slightly. The average price over all grades and markets is forecast to decrease slightly due to increased competition from China. **For 2000-2001**, production is forecast to increase by about 25% due to higher seeded area and trend yields. Exports are forecast to increase slightly, while domestic use remains stable. The average price is forecast to decrease slightly, in line with a slightly higher world supply.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mail skrypetz@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mailolesonf@em.agr.ca
L:MAD/OUTLOOKS&D/SpCrops/Mar2000sce.wpd

CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS (c)

MARCH 28, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1996-1997 | 520 | 2.25 | 1,169 | 8 | 1,397 | 856 | 461 | 80 | 209 |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,839 | 1,116 | 553 | 170 | 177 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,517 | 1,705 | 652 | 160 | 132 |
| 1999-2000f | 835 | 2.70 | 2,252 | 10 | 2,422 | 1,450 | 752 | 220 | 120-140 |
| 2000-2001f | 956 | 2.27 | 2,170 | 10 | 2,400 | 1,500 | 800 | 100 | 125-155 |
| Lentils | | | | | | | | | |
| 1996-1997 | 304 | 1.33 | 403 | 4 | 484 | 286 | 108 | 90 | 470 |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 473 | 349 | 109 | 15 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 502 | 372 | 120 | 10 | 381 |
| 1999-2000f | 497 | 1.46 | 724 | 5 | 739 | 505 | 149 | 85 | 370-390 |
| 2000-2001f | 570 | 1.34 | 765 | 0 | 850 | 545 | 145 | 160 | 325-365 |
| Dry Beans | | | | | | | | | |
| 1996-1997 | 84 | 1.58 | 133 | 26 | 179 | 124 | 45 | 10 | 605 |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000f | 154 | 1.91 | 294 | 35 | 354 | 245 | 59 | 50 | 520-550 |
| 2000-2001f | 162 | 1.82 | 295 | 20 | 365 | 245 | 65 | 55 | 510-550 |
| Chick Peas | | | | | | | | | |
| 1996-1997 | 3 | 1.33 | 4 | 4 | 8 | 1 | 7 | 0 | n/a |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000f | 139 | 1.42 | 197 | 1 | 203 | 75 | 108 | 20 | 385-415 |
| 2000-2001f | 167 | 1.35 | 225 | 0 | 245 | 135 | 60 | 50 | 360-400 |
| Mustard Seed | | | | | | | | | |
| 1996-1997 | 233 | 0.99 | 231 | 1 | 262 | 141 | 61 | 60 | 363 |
| 1997-1998 | 292 | 0.83 | 243 | 1 | 304 | 166 | 63 | 75 | 398 |
| 1998-1999 | 279 | 0.86 | 239 | 1 | 315 | 162 | 63 | 90 | 348 |
| 1999-2000f | 273 | 1.12 | 306 | 1 | 397 | 185 | 67 | 145 | 275-295 |
| 2000-2001f | 258 | 0.97 | 250 | 0 | 395 | 195 | 65 | 135 | 270-300 |
| Canary Seed | | | | | | | | | |
| 1996-1997 | 235 | 1.21 | 285 | 0 | 305 | 122 | 44 | 139 | 300 |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 254 | 134 | 47 | 73 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 308 | 137 | 51 | 120 | 248 |
| 1999-2000f | 146 | 1.14 | 166 | 0 | 286 | 150 | 46 | 90 | 230-250 |
| 2000-2001f | 138 | 1.12 | 155 | 0 | 245 | 150 | 45 | 50 | 235-265 |
| Sunflower Seed | | | | | | | | | |
| 1996-1997 | 35 | 1.57 | 55 | 12 | 91 | 24 | 43 | 24 | 345 |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 101 | 45 | 46 | 10 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 139 | 43 | 61 | 35 | 388 |
| 1999-2000f | 79 | 1.54 | 122 | 10 | 167 | 60 | 72 | 35 | 300-330 |
| 2000-2001f | 86 | 1.45 | 125 | 10 | 170 | 60 | 80 | 30 | 295-335 |
| Buckwheat | | | | | | | | | |
| 1996-1997 | 17 | 1.30 | 22 | 1 | 25 | 11 | 12 | 2 | 320 |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 9 | 9 | 1 | 315 |
| 1999-2000f | 13 | 1.00 | 13 | 3 | 17 | 8 | 8 | 1 | 295-315 |
| 2000-2001f | 14 | 1.14 | 16 | 1 | 18 | 9 | 8 | 1 | 285-315 |
| Total Special Crops | | | | | | | | | |
| 1996-1997 | 1,431 | 1.61 | 2,302 | 56 | 2,751 | 1,565 | 781 | 405 | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 53 | 3,201 | 1,949 | 892 | 360 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,127 | 2,635 | 1,046 | 446 | |
| 1999-2000f | 2,136 | 1.91 | 4,074 | 65 | 4,585 | 2,678 | 1,261 | 646 | |
| 2000-2001f | 2,351 | 1.70 | 4,001 | 41 | 4,688 | 2,839 | 1,268 | 581 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

Source: Statistics Canada and industry consultations.

f - Agriculture and Agri-Food Canada forecast, March 28, 2000.

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | As of Monday March 13, 2000 | | | | |
|---|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|-----------------------------|-------------|-------------|--------------|--------------|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 46% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN FEED | GLUTEN MEAL | DEHY ALFALFA | FEATHER MEAL |
| Vancouver | This week | FOB | (1) 136.66 | N/A | 129.16 | (3) 162.50 | | 302.75 | (7) 181.30 | 110.00 | 330.00 | (4) 550.00 | 380.00 | | | | 340.00 |
| B.C. | Week ago | | (1) 130.66 | N/A | 128.66 | (3) 159.00 | | 302.50 | (7) 179.30 | 112.00 | 325.00 | (4) 650.00 | 380.00 | | | | 340.00 |
| Calgary | This week | FOB | (1) 113.50 | 105.00 | 106.00 | (3) 139.00 | | 300.50 | 173.00 | | 285.00 | (4) 600.00 | 500.00 | | | | 355.00 |
| Alta | Week ago | | (1) 107.50 | 105.00 | 105.50 | (3) 138.00 | | 300.75 | 170.00 | | 285.00 | (4) 700.00 | 500.00 | | | | 355.00 |
| Saskatoon | This week | FOB | (1) 107.50 | 108.00 | 94.00 | (3) 121.00 | | 290.00 | 185.00 | | 285.00 | (4) N/A | 500.00 | | | | 385.00 |
| Sask. | Week ago | | (1) 104.50 | 104.00 | 92.00 | (3) 120.00 | | 290.25 | 184.00 | | 285.00 | (4) N/A | 500.00 | | | | 385.00 |
| Melfort | This week | FOB | (1) 111.00 | 107.50 | 97.60 | | | | | | | | | | | | |
| Sask. | Week ago | | (1) 112.90 | 107.50 | 98.10 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | (1) 103.75 | 106.34 | 91.90 | (3) 117.00 | | 276.50 | 185.00 | | 290.00 | (4) 744.00 | 430.00 | | | | 320.00 |
| Man. | Week ago | | (1) 104.85 | 107.80 | 92.20 | (3) 117.00 | | 276.75 | 184.00 | | 290.00 | (4) 744.00 | 430.00 | | | | 320.00 |
| Thunder Bay | This week | Track | (1) 123.50 | 132.00 | 107.60 | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 124.90 | 132.00 | 108.10 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | (3) 127.23 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | (3) 124.22 | | | | | | | | | | | |
| Bay Ports | This week | In-store | (1) 143.75 | 153.00 | 127.60 | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 144.65 | 153.00 | 128.10 | | | | | | | | | | | | |
| Chatham | This week | Track | | | | (2) 122.34 | | | | | | | | | | | |
| Ont. | Week ago | | | | | (2) 121.06 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 292.00 | (5) N/A | 470.00 | 440.00 | 440.00 | 200.00 | 355.00 |
| Ont. | Week ago | | | | | | FOB | 281.42 | 180.01 | | 292.00 | (5) N/A | 470.00 | 435.00 | 430.00 | 200.00 | 355.00 |
| Hamilton | This week | N/A | | | | | | 279.54 | 179.23 | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | (2) 116.94 | | | | | | | | | | | |
| London | Week ago | | | | | (2) 117.20 | | | | | | | | | | | |
| Ont. | Week ago | FOB | | | | | | | | 94.50 | | | | 430.00 | 430.00 | | |
| Port Colborne | This week | FOB | | | | | | | | 97.00 | | | | 430.00 | 430.00 | | |
| Ont. | Week ago | | | | | | | | | | | | | 430.00 | 430.00 | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | FOB | 291.34 | 197.65 | 122.25 | 292.00 | (5) 670.00 | 287.00 | 440.00 | 440.00 | 210.00 | 340.00 |
| Que. | Week ago | | | | | | | 289.83 | 198.53 | 120.50 | 292.00 | (5) 760.00 | 287.00 | 435.00 | 435.00 | 210.00 | 340.00 |
| Trois-Riv. | This week | In-store | (1) 148.00 | | 140.60 | (2) 142.41 | | | | | | | | | | | |
| Que. | Week ago | | (1) 149.90 | | 141.10 | (2) 141.92 | | | | | | | | | | | |
| St-Jean Que | This week | FOB | (1) 151.75 | 120.00 | 132.95 | (2) 126.67 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | (1) 152.55 | 120.00 | 132.20 | (2) 126.96 | | | | | | | | | | | |
| Quebec | This week | In-store | (1) 151.00 | | 137.60 | (2) 141.89 | FOB | 292.07 | | | | | | | | | |
| Que. | Week ago | | (1) 152.57 | | 136.43 | (2) 139.95 | | 289.10 | | | | | | | | | |
| Truro | This week | Track | (1) 174.32 | 196.43 | 162.07 | (2) 168.30 | FOB | 328.50 | 221.36 | | 329.70 | | 451.00 | | | | 369.60 |
| N.S. | Week ago | | (1) 175.02 | 196.43 | 161.77 | (2) 167.45 | | 325.98 | 220.98 | | 328.00 | | 451.00 | | | | 367.50 |
| Truro | This week | Water | (1) N/A | N/A | 164.00 | 164.00 | | | | | | | | | | | |
| N.S. | Week ago & Truck | | (1) N/A | N/A | 162.75 | 158.70 | | | | | | | | | | | |
| Halifax | This week | In-store | (1) N/A | N/A | 155.80 | 155.80 | FOB | | | 281.50 | | (5) 586.75 | | | | | |
| N.S. | Week ago | | (1) N/A | N/A | 155.75 | 151.70 | | | | 281.50 | | (5) 574.25 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.4611 as of March 13, 2000

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No. 1 Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Fish Meal- white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday March 13, 2000

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|-----------|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 123.50 | 124.90 | | 123.70 | 142.00 |
| | | OATS | 132.00 | 132.00 | | 135.50 | N/A |
| | | BARLEY | 107.50 | 108.10 | | 112.30 | 113.70 |
| To: Bayports, Ont. | In-store | WHEAT | 150.61 | 152.01 | 1. | 148.81 | 168.16 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 139.34 | 139.84 | 1. | 141.75 | 145.56 |
| Montreal, Que. | In-store | WHEAT | 155.58 | 156.98 | 1. | 153.66 | 171.51 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 145.25 | 145.75 | 1. | 147.26 | 151.01 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 177.98 | 179.38 | | 176.16 | 189.88 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 171.02 | 171.52 | | 173.32 | 167.03 |
| Truro, N.S. | Truck via Halifax | WHEAT | 175.48 | 176.88 | | 173.60 | 187.38 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 166.14 | 166.64 | | 168.44 | 164.53 |
| Halifax, N.S. | In-store | WHEAT | 162.81 | 164.21 | 1. | 160.93 | 182.10 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 152.46 | 152.96 | 1. | 154.77 | 158.89 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 218.43 | 219.83 | | 218.63 | 236.93 |
| | | OATS | 238.20 | 238.20 | | 241.70 | N/A |
| | | BARLEY | 214.74 | 215.24 | | 219.44 | 216.37 |
| From: Melfort, Sask. | FOB | WHEAT | 111.00 | 112.90 | | 110.70 | 126.00 |
| | | OATS | 107.50 | 107.50 | | 111.00 | 120.00 |
| | | BARLEY | 97.60 | 98.10 | | 97.30 | 103.90 |
| To: Bayports, Ont. | Track | WHEAT | 167.12 | 169.02 | | 166.82 | 182.10 |
| | | OATS | 166.37 | 166.37 | | 169.87 | 185.37 |
| | | BARLEY | 150.99 | 151.49 | | 150.69 | 160.70 |
| Montreal, Que. | Track | WHEAT | 167.87 | 169.77 | | 167.57 | 182.86 |
| | | OATS | 167.27 | 167.27 | | 170.77 | 186.27 |
| | | BARLEY | 151.81 | 152.31 | | 151.51 | 161.52 |
| Moncton, N.B. | Track | WHEAT | 189.05 | 190.95 | | 188.75 | 204.03 |
| | | OATS | 190.61 | 190.61 | | 194.11 | 209.34 |
| | | BARLEY | 163.92 | 164.42 | | 163.62 | 183.08 |
| Truro, N.S. | Track | WHEAT | 189.22 | 191.12 | | 188.92 | 204.20 |
| | | OATS | 191.58 | 191.58 | | 195.08 | 212.78 |
| | | BARLEY | 177.54 | 178.04 | | 177.24 | 184.09 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 232.56 | 234.46 | | 232.26 | 247.53 |
| | | OATS | 238.96 | 238.96 | | 242.46 | 257.69 |
| | | BARLEY | 225.83 | 226.33 | | 225.53 | 232.39 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|-----------|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 127.23 | 124.22 | | 124.40 | 132.43 |
| To: Montreal, Que. (US Corn) | In-store | | 150.56 | 147.55 | 1. | 145.52 | 155.36 |
| From: Saginaw (Mi) | Track | | 118.62 | 115.65 | | 116.40 | 127.63 |
| To: Montreal, Que. (US Corn) | Track | | 146.16 | 143.19 | | 143.94 | 159.93 |
| From: Chatham | Track | | 122.34 | 121.06 | | 117.22 | 122.73 |
| To: Montreal, Que. | Track | | 145.23 | 143.95 | | 140.11 | 147.28 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 281.42 | 279.54 | | 268.85 | 230.60 |
| To: Montreal, Que. | Track | | 303.89 | 302.01 | | 291.32 | 254.27 |
| Moncton, N.B. | Track | | 321.20 | 319.32 | | 308.63 | 271.62 |
| Truro, N.S. | Track | | 324.17 | 322.29 | | 311.60 | 274.76 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 373.43 | 371.55 | | 360.86 | 322.06 |

1. Prices include three month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | As of Monday March 27, 2000 | | | | | | |
|---|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-------------|--------------|-----------------------------|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL-FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | GLUTEN FEED | DEHY ALFALFA | FEATHER MEAL | | | | | | |
| Vancouver B.C. | This week | FOB | (1) 137.16 | N/A | 132.16 | (3) 162.00 | | 307.25 | (7) 176.90 | 110.00 | 330.00 | (4) 550.00 | 380.00 | | | | 340.00 | | | | | | |
| | Week ago | | (1) 136.16 | N/A | 131.66 | (3) 162.50 | | 303.50 | (7) 182.00 | 110.00 | 330.00 | (4) 550.00 | 380.00 | | | | 340.00 | | | | | | |
| Calgary Alta | This week | FOB | (1) 114.00 | 105.00 | 109.00 | (3) 141.00 | | 307.00 | 173.00 | | 290.00 | (4) 600.00 | 490.00 | | | | 355.00 | | | | | | |
| | Week ago | | (1) 113.00 | 105.00 | 108.50 | (3) 140.00 | | 304.50 | 173.00 | | 290.00 | (4) 600.00 | 490.00 | | | | 355.00 | | | | | | |
| Saskatoon Sask. | This week | FOB | (1) 107.50 | 108.00 | 94.00 | (3) 125.00 | | 296.50 | 160.00 | | 290.00 | (4) N/A | 490.00 | | | | 385.00 | | | | | | |
| | Week ago | | (1) 107.50 | 108.00 | 95.00 | (3) 124.00 | | 293.50 | 187.00 | | 290.00 | (4) N/A | 490.00 | | | | 385.00 | | | | | | |
| Melfort Sask. | This week | FOB | (1) 114.10 | 108.00 | 101.10 | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 114.10 | 107.50 | 101.20 | | | | | | | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | (1) 106.45 | 111.48 | 95.60 | (3) 120.00 | | 281.50 | 160.00 | | 290.00 | (4) 744.00 | 430.00 | | | | 320.00 | | | | | | |
| | Week ago | | (1) 103.75 | 106.34 | 91.90 | (3) 120.00 | | 276.50 | 187.00 | | 290.00 | (4) 744.00 | 430.00 | | | | 320.00 | | | | | | |
| Thunder Bay Ont. | This week | Track | (1) 130.00 | 127.00 | 112.10 | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 127.80 | 132.00 | 112.20 | | | | | | | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | (3) 130.33 | | | | | | | | | | | | | | | | | |
| | Week ago | Vessel | | | | (3) 136.15 | | | | | | | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | (1) 146.60 | 152.00 | 130.60 | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 146.60 | 151.00 | 130.20 | | | | | | | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | (2) 124.80 | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | (2) 127.85 | | | | | | | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | 292.00 | (5) N/A | 470.00 | 430.00 | 139.00 | 200.00 | 380.00 | | | | | | |
| | Week ago | | | | | | FOB | 283.40 | 173.17 | | 292.00 | (5) N/A | 470.00 | 430.00 | 139.00 | 200.00 | 370.00 | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | | 288.58 | 183.86 | | | | | | | | | | | | | | |
| | Week ago | | | | | (2) 118.96 | | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | (2) 119.70 | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | 92.00 | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | 92.00 | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | FOB | 297.62 | 198.89 | 122.50 | 292.00 | (5) 670.00 | 276.00 | 430.00 | 141.00 | 210.00 | 360.00 | | | | | | |
| | Week ago | | | | | | | 300.38 | 201.83 | 119.75 | 292.00 | (5) 670.00 | 276.00 | 430.00 | 141.00 | 210.00 | 350.00 | | | | | | |
| Trois-Riv. Que. | This week | In-store | (1) 151.10 | | 144.10 | (2) 142.51 | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 151.10 | | 143.20 | (2) 147.93 | | | | | | | | | | | | | | | | | |
| St-Jean Que. | This week | FOB | (1) 154.08 | 119.50 | 137.83 | (2) 132.28 | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 153.83 | 120.00 | 136.40 | (2) 131.78 | | | | | | | | | | | | | | | | | |
| St-Hyacinthe Que. | This week | In-store | (1) 153.10 | | 141.10 | (2) 143.82 | FOB | 295.16 | | | | | | | | | | | | | | | |
| | Week ago | | (1) 153.77 | | 141.70 | (2) 145.96 | | 296.67 | | | | | | | | | | | | | | | |
| Quebec Que. | This week | Track | (1) 175.86 | 191.48 | 166.98 | (2) 173.62 | FOB | 339.17 | 222.90 | | 329.70 | | 451.00 | | | | 389.60 | | | | | | |
| | Week ago | | (1) 175.69 | 191.48 | 165.87 | (2) 173.23 | | 341.30 | 224.33 | | 329.70 | | 451.00 | | | | 379.85 | | | | | | |
| Truro N.S. | This week | Water | (1) N/A | N/A | 164.75 | 166.20 | | | | | | | | | | | | | | | | | |
| | Week ago | & Truck | (1) N/A | N/A | 164.00 | 167.00 | | | | | | | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | (1) N/A | N/A | 152.10 | 154.10 | FOB | | | | | | | | | | | | | | | | |
| | Week ago | | (1) N/A | N/A | 151.35 | 154.90 | | | | 281.50 | | (5) 586.75 | | | | | | | | | | | |
| Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.4603 as of March 27, 2000 | | | | | | | | | | | | | | | | | | | | | | | |
| Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat , No.1 Feed Oats , No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn ,No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein . Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease. | | | | | | | | | | | | | | | | | | | | | | | |
| (1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley | | | | | | | | | | | | | | | | | | | | | | | |

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday March 27, 2000

| PRAIRIE GRAINS | | | | | | | |
|----------------------|--------------------------|--------|-----------|----------|----|-----------|----------|
| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay | Track | WHEAT | 130.00 | 127.80 | | 122.60 | 145.30 |
| | | OATS | 127.00 | 132.00 | | 132.00 | N/A |
| | | BARLEY | 112.10 | 112.20 | | 108.30 | 116.10 |
| To: Bayports, Ont. | In-store | WHEAT | 159.12 | 156.92 | 1. | 149.71 | 173.76 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 146.14 | 146.24 | 1. | 140.04 | 150.52 |
| Montreal, Que. | In-store | WHEAT | 164.19 | 161.99 | 1. | 154.68 | 176.25 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 152.44 | 152.54 | 1. | 145.95 | 156.17 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 186.56 | 184.36 | | 177.08 | 193.18 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 177.91 | 178.01 | | 171.72 | 169.43 |
| Truro, N.S. | Truck via Halifax | WHEAT | 184.06 | 181.86 | | 174.58 | 190.68 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 173.03 | 173.13 | | 166.84 | 166.93 |
| Halifax, N.S. | In-store | WHEAT | 171.39 | 169.19 | 1. | 161.91 | 187.86 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 159.36 | 159.46 | 1. | 153.16 | 163.97 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 224.93 | 222.73 | | 217.53 | 240.23 |
| | | OATS | 233.20 | 238.20 | | 238.20 | N/A |
| | | BARLEY | 219.24 | 219.34 | | 215.44 | 218.77 |
| From: Melfort, Sask. | FOB | WHEAT | 114.10 | 114.10 | | 111.10 | 128.70 |
| | | OATS | 108.00 | 107.50 | | 107.50 | 128.25 |
| | | BARLEY | 101.10 | 101.20 | | 95.30 | 105.90 |
| To: Bayports, Ont. | Track | WHEAT | 170.22 | 170.22 | | 167.22 | 184.80 |
| | | OATS | 166.87 | 166.37 | | 166.37 | 193.62 |
| | | BARLEY | 154.49 | 154.59 | | 148.69 | 162.70 |
| Montreal, Que. | Track | WHEAT | 170.97 | 170.97 | | 167.97 | 185.56 |
| | | OATS | 167.77 | 167.27 | | 167.27 | 194.52 |
| | | BARLEY | 155.31 | 155.41 | | 149.51 | 163.52 |
| Moncton, N.B. | Track | WHEAT | 192.15 | 192.15 | | 189.15 | 206.73 |
| | | OATS | 191.11 | 190.61 | | 190.61 | 217.59 |
| | | BARLEY | 167.42 | 167.52 | | 161.62 | 185.08 |
| Truro, N.S. | Track | WHEAT | 192.32 | 192.32 | | 189.32 | 206.90 |
| | | OATS | 192.08 | 191.58 | | 191.58 | 221.03 |
| | | BARLEY | 181.04 | 181.14 | | 175.24 | 186.09 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 235.66 | 235.66 | | 232.66 | 250.23 |
| | | OATS | 239.46 | 238.96 | | 238.96 | 265.94 |
| | | BARLEY | 229.33 | 229.43 | | 223.53 | 234.39 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 130.33 | 136.15 | | 121.19 | 138.37 |
| To: Montreal, Que. (US Corn) | In-store | | 155.87 | 161.69 | 1. | 144.52 | 163.77 |
| From: Saginaw (Mi) | Track | | 121.68 | 127.45 | | 113.20 | 131.82 |
| To: Montreal, Que. (US Corn) | Track | | 149.22 | 154.99 | | 140.74 | 164.12 |
| From: Chatham | Track | | 124.80 | 127.85 | | 117.91 | 126.47 |
| To: Montreal, Que. | Track | | 147.69 | 150.74 | | 140.80 | 151.02 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|----------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 283.40 | 288.58 | | 269.95 | 238.21 |
| To: Montreal, Que. | Track | | 305.87 | 311.05 | | 292.42 | 261.88 |
| Moncton, N.B. | Track | | 323.18 | 328.36 | | 309.73 | 279.23 |
| Truro, N.S. | Track | | 326.15 | 331.33 | | 312.70 | 282.37 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 375.41 | 380.59 | | 361.96 | 329.67 |

1. Prices include four month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

DRY PEAS: SITUATION AND OUTLOOK

Canada has become the largest exporter of dry peas starting in 1997. In 1999, Canada accounted for about 40% of world exports. The value of Canadian dry pea exports was \$415 million in 1998-1999. Canada was the world's second largest producer of dry peas in 1999-2000, with 19% of total world production. In 2000-2001, Canada is expected to become the world's largest producer, with its share of world production increasing to 23%. Canadian seeded area for dry peas has increased by about 400% during the 1990s. The expansion of dry pea production in Western Canada has provided producers with an alternative cash crop to use in their rotations and livestock feeders with a new source of feed ingredient. In addition, the expansion has resulted in increased employment opportunities in Western Canada through the expansion of the handling, marketing and processing facilities. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for dry peas.

AGRONOMICS

Dry peas were one of the first cultivated crops and were first domesticated in the Middle East. They were an important crop in Eastern Canada during the period 1850-1950, with as much as 300,000 hectares seeded annually. The crop was gradually replaced by soybeans and had largely disappeared in Eastern Canada by the 1970s. In Western Canada, production started during the 1930s in Manitoba, but grew slowly until the 1990s when most of the production shifted to Saskatchewan.

Dry peas are a cool season crop with a restricted root system. They cannot tolerate hot weather or drought stress during flowering. Peas take about 90-105 days to reach maturity, depending on the variety grown. The crop is best suited to the black soil zone, with well drained, clay loam soils being ideal for dry pea production. However, peas have performed well in all areas of the Prairies, especially in summers with cool and moist conditions. Poorly drained, cold soils can favour the development of seedling diseases and root rots. Peas should not be grown on salt affected soils and should not be grown on the same field more than once in every 4 years to avoid the rapid increase of soil-borne and foliar diseases.

Dry pea production provides an agronomically sound way of extending and improving crop rotations. They are capable of fixing part of their nitrogen requirements if properly inoculated with

the pea strain of Rhizobium. Thus, acceptable pea yields can be produced in some years with little nitrogen fertilizer. However, a soil test should be used to determine required nutrients. The crop following dry peas in the rotation generally yields more than the same crop grown after cereals or oilseeds. Care must be taken in harvesting the crop. Dry peas which have been harvested in a careless manner and contain excessive amounts of foreign material, cracked seed coats, and broken and damaged seed will have heavy losses in the cleaning process.

UTILIZATION

There are two uses for dry peas, livestock feed and human food. Use for livestock feed is mainly in Europe and Canada, whereas use for food is mainly in Latin America and Asia.

Feed

The hog production industry is the most important user of feed peas, although poultry, cattle and other livestock also consume them. A small, but important user, is the bird seed industry.

Dry peas are a good source of energy for hogs and contain amounts of digestible energy similar to wheat. When protein quality and amino acids, such as lysine, are considered in diet formulation for hogs, peas are very price competitive. Moreover, feed peas do not have to be heat treated to deactivate anti-nutritional factors. Protein testing of peas for on-farm feeding is recommended since feed pea protein will vary between individual lots.

Dry peas are known for having high quality protein, with a protein content of about 22.5%. The digestibility of protein from peas is good with digestibility values of 81-84% for hogs and 84-88% for poultry, which is almost as high as soymeal protein. Dry pea protein fed to cattle is readily digested. Pea protein, protein from cereals, and canola meal are nutritionally complementary, enhancing each one's value when used in rations.

Although dry peas are most widely used in feeding hogs, they are also used in feeding all classes of poultry. In feeding poultry, they are a good source of protein and a moderate source of energy. The nutrient profile makes peas a very economical ingredient for layers, but they can also be used for broilers. Dry peas are also a good source of supplementary protein for cattle, as well as a good source of energy. The relatively slow degradation rate of starch in peas may be beneficial in animals fed diets containing a high concentration of grain.

Food

Food use of dry peas includes canning, split and whole dry markets, as well as constituent products such as protein, flour, starch, and fibre. These products are then used in baked goods, baking mixes, soup mixes, breakfast cereals, processed meats, health foods, pastas and purees. Dry peas are an excellent source of protein, fibre, and complex carbohydrates well suited to the demands of health conscious consumers. In addition, dry peas are a good source of potassium and B vitamins.



WORLD

Production

World dry pea production has been in the range of 11-13 million tonnes (Mt) during the 1990s except for two unusually high production years, 1993-1994 and 1994-1995, when it approached 15 Mt. However, production has shifted out of Russia and Ukraine into Canada. In 1991-1992, Canada accounted for only 3% of world dry pea production, but by 1999-2000 Canada's share increased to 19%. Production in the European Union (EU) has been fairly stable. In China, India, Australia, and the United States (US), production varied from year to year, but there was not a significant change from the beginning of the decade to the end.

Trade

World trade in dry peas has been variable during the 1990s, ranging from a low of 3.37 Mt in calendar year 1992 to 3.67 Mt in 1995. In 1998, the latest year for which trade data is available, 3.16 Mt of dry peas were exported. At the beginning of the decade world exports were dominated by France which had about 40% share of exports. Canada's share was only about 10%. Other major exporters were Australia, Czechoslovakia, Hungary, Denmark, the United Kingdom, and the US. During the decade, Canada's share grew until it became the largest exporter in 1997. In 1998, Canada's share of exports increased to 36%, with France in second

place at 34%. Although complete data for 1999 is not available, Canada's share increased further to about 40%. In 1998, the only other significant exporters, in addition to Canada and France, were Australia, the US, and Ukraine.

At the beginning of the 1990s, the main importing countries were in western Europe; with the Netherlands being the largest, followed by Germany, Belgium and Spain. The only large non-European importer was India. By the end of the decade, there was some shifting of exports from Europe to Asia. Western Europe was still the largest importing region, with Belgium the largest importing country, followed by Spain, the Netherlands, Germany and Italy. However, India's imports tripled and China became a significant importing country. The shift in exports from Europe to Asia, implies that a larger share of the exports are now going for food use, rather than for feed.

CANADA

Production

Canadian dry pea production increased sharply during the early 1990s and stabilized at 1.45 Mt during the mid 1990s. Production decreased in 1996-1997, the year following good grain prices. The following year, production increased sharply and reached a record of 2.34 Mt in 1998-1999, due mainly to a record harvested area. In 1999-2000, harvested area decreased by 22%, however production decreased by only 4% because of record yields. The growth in dry pea production

has been largely in Saskatchewan. In 1991-1992, Saskatchewan accounted for 39% of Canadian production, Alberta for 40% and Manitoba for 20%. The remaining 1% was produced in British Columbia, Ontario and Quebec. In 1999-2000 Saskatchewan's share of production increased to 72%, Alberta's dropped to 23.5% and Manitoba's decreased to 4%, with 0.5% produced in British Columbia, Ontario and Quebec. Canadian production increased by 450% during the period of 1991-1992 to 1999-2000. Most of the increase was due to increased area, but there has also been an upward trend in average yields. During the same period, Saskatchewan production increased by about 900%, Alberta by 220% and Manitoba by only 10%.

Canada produces several types of peas, with the yellow type accounting for 64% of 1999-2000 production. Green peas accounted for about 32% of the production and the remaining 4% consisted of maple, green marrowfat, small yellow, and Austrian winter peas.

Marketing

Dry peas are sold on the open market to dealers located throughout the Prairie provinces. Feed peas are sold mainly to large grain companies, whereas food peas are sold to specialized cleaning facilities, some of which are owned by large grain companies, but most are smaller or medium-sized companies. Some dry peas are also sold directly to processing plants and feed mills. Some dry peas are grown under production contracts which guarantee a price for part of the production.

WORLD: DRY PEA PRODUCTION

| | 1996 -1997 | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001f |
|---------------------------|---------------|---------------|---------------|---------------|----------------|
|thousand tonnes..... | | | | | |
| France | 2,562 | 3,052 | 3,223 | 2,612 | 2,550 |
| Canada * | 1,169 | 1,747 | 2,337 | 2,252 | 2,700 |
| China | 1,176 | 1,000 | 1,276 | 1,300 | 1,300 |
| Russia | 1,323 | 1,419 | 660 | 680 | 660 |
| Germany | 301 | 399 | 589 | 609 | 590 |
| India | 670 | 740 | 550 | 600 | 600 |
| Ukraine | 985 | 903 | 652 | 509 | 480 |
| Denmark | 256 | 384 | 385 | 386 | 380 |
| United Kingdom | 240 | 371 | 324 | 355 | 350 |
| Australia *** | 454 | 303 | 298 | 348 | 350 |
| United States ** | 151 | 300 | 304 | 261 | 250 |
| Other | 1,622 | 1,653 | 1,585 | 1,798 | 1,790 |
| World | 10,909 | 12,271 | 12,183 | 11,710 | 12,000 |
| Carry-in Stocks | 700 | 300 | 600 | 700 | 500 |
| World Supply | 11,609 | 12,571 | 12,783 | 12,410 | 12,500 |

f: AAFC forecast, April 2000

Source: FAO April 2000; except *Statistics Canada, **USDA, ***ABARE

CANADA: DRY PEA EXPORTS

| August-July crop year | 1997 -1998 | 1998 -1999 | 1999 -2000f |
|---------------------------|---------------|---------------|----------------|
|thousand tonnes..... | | | |
| Europe | 439 | 589 | 550 |
| Asia | 395 | 700 | 500 |
| Central America * | 151 | 215 | 205 |
| South America | 77 | 90 | 90 |
| Oceania | 0 | 42 | 40 |
| United States | 31 | 23 | 25 |
| Middle East | 15 | 21 | 20 |
| Africa | 8 | 25 | 20 |
| Total | 1,116 | 1,705 | 1,450 |

* Includes the Caribbean region

f: AAFC forecast, April 2000

Source: Statistics Canada

The Winnipeg Commodity Exchange launched a new field (feed) pea futures contract on April 5, 1999. Pricing for the new contract is free on board in the Par region (locations in Manitoba, Saskatchewan, and Alberta, excluding the Peace River region). The contract is traded in Canadian dollars and the trading months are February, April, June, August, October, and December.

Feed peas are generally shipped, from the dealers plants to ports and other markets, bulk in rail cars, whereas food peas are shipped mainly by rail in containers, either bulk or in bags.

Market development activities are led by Pulse Canada, an industry organization representing producers, traders, exporters and processors. The Canadian Grain commission administers quality standards for dry peas.

Domestic Use

About 35% of the dry peas produced in Canada are consumed in Canada. The main user is the livestock feed industry in the Prairie provinces, especially for feeding hogs.

Dry peas are a very economical feed ingredient and can substitute for imported corn and soymeal in Western Canada. Usually peas displace soymeal and corn in a hog ration in a one-third to two-thirds ratio. Therefore, a formula of one-third soymeal and two-thirds corn gives an approximation of the opportunity price of peas. The lowest price spread is in eastern Manitoba because of the lowest transportation cost from the US mid-west corn and soybean producing areas. The price advantage of using peas gradually increases in a westerly direction. Savings from using peas will likely be

less if canola meal, wheat, and barley are used, instead of soymeal and corn, in the ration.

An innovative use of dry peas in livestock feed is a mixture of two-thirds ground peas and one-third canola meal. In a mixture of peas and canola meal, peas complement canola meal. Although canola meal is an excellent source of protein, it is low in digestible energy. Peas have high energy digestibility, and the amino acid profile of peas, which is high in lysine, complements the amino acid profile of canola meal, which is high in methionine and cystine.

The domestic food market is much smaller than the feed market, but is important for the producers and dealers. The domestic processing industry includes splitting, canning, packaging of whole or split seed, dry soup mixtures, or milled for flour, hulls, protein concentrate and starch. The marrowfat type, as well as some others, are used in the confectionary markets. An additional domestic market for dry peas is seed for planting. Some small yellow seed is sold

for seeding silage mixtures. The maple and Austrian winter types are used mainly by the bird seed industry.

Canadian domestic use has been increasing with increasing Canadian supply. Most of the increase is due to greater use for livestock feed.

Exports

About 65% of Canadian dry peas are exported, with about 40% expected to go into the feed market in 1999-2000, mainly in Europe, and 60% into the food market mainly in Latin America and Asia. The feed market consumes both the yellow and green types. Although both yellow and green peas are sold into the food

COST SAVINGS USING PEAS IN A HOG RATION *

| | Opportunity Price of Peas ^{1/} | Actual Price of Peas \$/t..... | Feed Cost Saving ^{2/} |
|-----------|--|--------------------------------------|-----------------------------------|
| Winnipeg | 174.00 | 140.00 | 8.50 |
| Saskatoon | 182.00 | 135.00 | 11.75 |
| Calgary | 196.00 | 140.00 | 14.00 |

*April 2000

^{1/} Based on one-third soymeal and two-thirds corn.

^{2/} Based on a 25% inclusion level.

Source: AAFC

CANADA: DRY PEAS SUPPLY AND DISPOSITION

| <i>August -July crop year</i> | 1996 -1997 | 1997 -1998 | 1998 -1999 | 1999 -2000f | 2000 -2001f |
|-----------------------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|
| Harvested Area (000 ha) | 520 | 848 | 1,078 | 835 | 1,201 |
| Yield (t/ha) | 2.25 | 2.06 | 2.17 | 2.70 | 2.25 |
|thousand tonnes..... | | | | | |
| Carry-in Stocks | 220 | 80 | 170 | 160 | 170 |
| Production | 1,169 | 1,747 | 2,337 | 2,252 | 2,700 |
| Imports | 8 | 12 | 10 | 10 | 10 |
| Total Supply | 1,397 | 1,839 | 2,517 | 2,422 | 2,880 |
| Exports | 856 | 1,116 | 1,705 | 1,450 | 1,550 |
| Domestic Use | 461 | 553 | 652 | 802 | 850 |
| Carry-out Stocks | 80 | 170 | 160 | 170 | 480 |
| Stocks-to-use ratio | 6% | 10% | 7% | 8% | 20% |
| Average producer price (\$/t) | 209 | 177 | 132 | 120-140 | 115-145 |
| Harvested Area (000 ac.) | 1,285 | 2,095 | 2,664 | 2,063 | 2,968 |
| Yield (bu/ac.) | 33 | 31 | 32 | 40 | 33 |
| Production (million bu) | 43 | 64 | 86 | 83 | 99 |
| Average producer price (\$/bu) | 5.69 | 4.82 | 3.59 | 3.26-3.81 | 3.13-3.95 |

f: AAFC forecast, April 2000

Source: Statistics Canada and AAFC

CANADA: TYPES OF DRY PEAS PRODUCED

| <i>crop year</i> | 1998 -1999 | 1999 -2000 | 2000 -2001f |
|---------------------------|-----------------------|-----------------------|------------------------|
|thousand tonnes..... | | | |
| Yellow | 1,400 | 1,450 | 1,800 |
| Green | 820 | 710 | 800 |
| Other * | 117 | 92 | 100 |
| Total | 2,337 | 2,252 | 2,700 |

* Includes maple, green marrowfat, small yellow, and Austrian winter peas.

f: AAFC forecast, April 2000

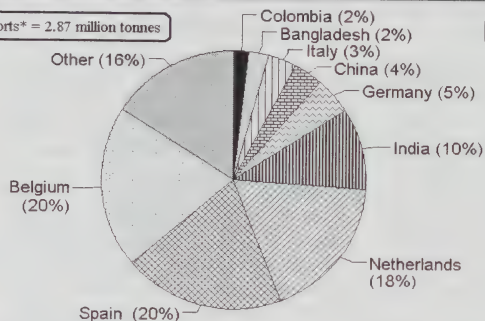
Source: SAF, AAFC

WORLD: DRY PEA IMPORTS

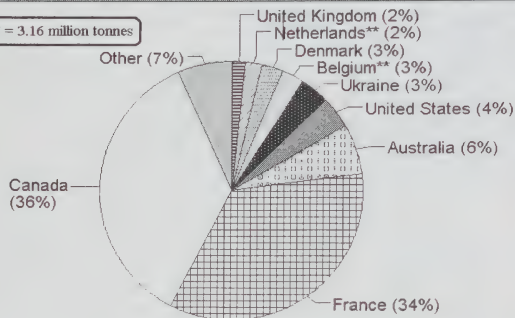
1998

WORLD: DRY PEA EXPORTS

Imports* = 2.87 million tonnes



Exports* = 3.16 million tonnes



Source: FAO, April 2000

* The difference between world imports and exports may be attributed to delivery timing. In addition, Cuba also imports dry peas but complete data is unavailable

** transshipments

markets all over the world, the main market for green peas is Latin America and for yellow peas, Asia. In Europe, the largest importing country is Spain, followed by Belgium, the Netherlands, and Ireland. In Asia, the largest importer is India, followed by Bangladesh and Pakistan. In Latin America, the largest market is Cuba, followed by Colombia, Peru, and Venezuela.

Canadian exports increased sharply in 1998-1999 to a record 1.7 Mt, because of increased supply. For 1999-2000, exports are forecast to decrease by about 15% to 1.45 Mt due mainly to lower expected sales to Asia. The expected decreased exports to Asia are partly due to lower demand and partly to increased competition from France and Australia.

Prices

The price of feed peas is related to prices of alternate feed grain and protein meal ingredients. There are, however, regional price differences within the Prairie provinces based on local supply and demand factors. Food pea prices are at a premium to feed pea prices, however the quality standards are higher. The premiums for yellow food peas and green food peas are usually different, depending on the supply and demand factors for each type of peas. For example, in 1997-1998 the average price for green peas was higher than for yellow peas, but in 1998-1999 the average price of yellow peas was higher. For 1999-2000, the average price of yellow peas is also expected to be higher. The market for green food peas is smaller than for yellow food peas. Therefore, it is easier to oversupply the market, as happened in

1998-1999. The price for maple and small yellow peas also varies depending on the supply and demand factors for each type. Green marrowfat peas are mostly produced under contract, which guarantee a price for the production.

The average price over all types, grades and markets dropped sharply in 1998-1999 in response to higher supply and lower prices for feed grains and protein meal. The average price for 1999-2000 is forecast to be similar to 1998-1999

OUTLOOK: 2000-2001

World

World dry pea production is forecast to increase slightly to 12 Mt, due to higher expected production in Canada which more than offsets lower production forecasts for the EU, Russia, Ukraine, and the US. The impact of the Agenda 2000 Common Agricultural Policy reform in the EU is expected to be neutral for dry peas. The decreased production in the EU is based on slightly lower expected yields, and the decrease in the US, Russia, and Ukraine is based on lower expected seeded area. Production in the rest of the world is expected to be similar to 1999-2000. World total supply is forecast to remain stable at about 12.5 Mt, because of lower carry-in stocks.

Canada

Canadian production is forecast to increase by 20% to 2.70 Mt, as a 44% increase in the seeded area is partly offset by trend yields which are considerably lower than 1999-2000 actual yields. The increase in seeded area is largely due to a shift out of canola, because of higher expected net return and

lower variable cost for dry peas compared to canola. Total supply is expected to increase by 19% to 2.88 Mt. Exports and domestic use are expected to increase to 1.55 Mt and 0.83 Mt respectively as Canadian supply increases and total world supply remains stable. Carry-out stocks are forecast to increase to 0.48 Mt, with a stocks-to-use ratio of 20%. The average price over all types, grades, and markets is forecast to be similar to 1999-2000 at \$115-145 per tonne, in line with stable world supply.

For more information, please contact:

Stan Skrypetz
Special Crops Analyst
Phone: (204) 983-8972
E-mail: skrypetz@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

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Director: Maggie Liu
Chief: Fred Oleson

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AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Policy Branch - Market Analysis Division - Winnipeg, Manitoba
CANADIAN GRAINS AND OILSEEDS OUTLOOK May 1, 2000

For 2000-01, assuming normal yields, AAFC forecasts that production of grains and oilseeds in Canada will decrease by 4%, to about 63 Mt. Statistics Canada's seeding intentions survey, conducted during late March and released on April 20, indicated that farmers in western Canada intend to increase area seeded to durum wheat, barley and special crops, and decrease area seeded to spring wheat, canola and flaxseed. Seeding progress is ahead of normal across western Canada. Subsoil moisture is generally adequate, but topsoil moisture is low in parts of Saskatchewan and Alberta, and timely rains will be needed. In Eastern Canada, area seeded to corn is expected to increase from 1999, with wheat and soybean areas relatively unchanged and dry bean area declining. Actual seeded areas may differ from intended areas due to changes in market outlook and spring weather conditions, as well as producer reaction to the published seeding intentions.

Despite increases in exports of durum, barley, canola and flaxseed, total exports of grains and oilseeds are forecast to decline by about 3%, due to a decrease in spring wheat exports. Canadian spring wheat prices are forecast to be slightly higher than in 1999-00, while durum prices are expected to decline. Coarse grain prices are forecast to be unchanged to slightly lower. Oilseed prices are forecast to decline to historically low levels.

WHEAT (ex-durum)

Canadian intended area is 8% below 1999, the second lowest level since 1972, and production is forecast by AAFC to fall by 15%. This will be partially offset by larger carry-in stocks. Domestic use is expected to decline due to lower feed use, resulting from reduced wheat supplies and increased supplies of barley. Exports are projected to decline sharply to the second lowest level since the 1988-89 drought year. Carry-out stocks are forecast to fall to near-pipeline levels, similar to 1998-99. The April Canadian Wheat Board (CWB) 2000-01 Pool Return Outlook (PRO) for No.1 CWRS is \$158-188/t I/S VC/SL, unchanged from March, with the midpoint \$7/t above the 1999-00 PRO. Protein premiums are expected to increase due to smaller US and Canadian spring wheat crops. Ontario wheat production is forecast to decline by 7% to 1.4 Mt, largely due to a return to normal yields. The Ontario Wheat Producers' Marketing Board's Estimated Pool Return for No.1 CEWW wheat is \$105-115/t, terminal or processor position, unchanged from 1999-00.

DURUM

Production is forecast to rise to the second highest level on record due to a 39% increase from the lower-than-normal 1999 seeded area. This will be partially offset by lower carry-in stocks, but supplies are forecast to increase by 8%. Exports are projected to increase, due to strong demand resulting from drought in Algeria and Morocco. However, increases will be limited by increased competition from other exporters, and carry-out stocks are projected to increase. The April CWB PRO for No.1 CWAD is \$175-205/t, \$5/t higher than March, with the midpoint \$8/t below the 1999-00 PRO.

BARLEY

Production is forecast to increase dramatically, due to a 22% increase in intended area. Exports of feed barley are expected to increase significantly. For malting barley, exports of two-row are also forecast to increase but exports of six-row will depend on the size and

quality of the US barley crop. Domestic use is also forecast to increase due to higher supplies, lower prices and increased livestock numbers. Carry-out stocks are expected to be burdensome, and off-Board feed barley prices are forecast to decrease from 1999-00. The April CWB PRO for No.1 CW feed barley is \$111-141/t, \$8/t below March, with the midpoint \$6/t below 1999-00. Malting barley prices are expected to decrease due to higher supplies in the US, Australia and western Canada. The CWB PRO for Special Select (SS) 2-Row Designated Barley is \$162-192/t, down \$7/t from March, with the midpoint \$12/t below 1999-00. The discount for SS 6-Row is \$15/t versus \$4/t for 1999-00.

OATS

Intended area is relatively unchanged, and production and supply are forecast to decrease slightly from 1999-00. Total exports to the US are expected to rise due to increased US demand and a continuation of low oat production in the US. Carry-out stocks are forecast to decrease which will support prices, but this is expected to be largely offset by appreciation of the Canadian dollar. The average WCE cash price is expected to remain unchanged from 1999-00.

CORN

Intended area is up by 14% from 1999-00, and, due to increased production and higher carry-in stocks, domestic supplies are forecast to increase considerably. This is expected to reduce imports and maintain exports at the strong 1999-00 level. Domestic use is forecast to increase due to increased ethanol production in Ontario and Quebec and slightly higher livestock feed demand. Despite a slightly higher Chicago corn price, the Chatham corn price is expected to decrease by \$5/t from 1999-00 due to pressure from the expected appreciation of the Canadian dollar and the reduction in the Chicago-Chatham basis caused by the decrease in net imports.

CANOLA

Intended area has decreased by 18%, the lowest level since 1996, mainly due to low prices. Production is expected to fall by 25% but supplies are forecast to decline by only 6% due to the record-high carry-in stocks. Domestic crush is expected to increase slightly. Exports are forecast to rise because of steady world demand for canola and decreased competition from Australia and the EU. However, imports from the US are expected to increase due to a major increase in US production related to the US loan deficiency program. Although carry-out stocks are forecast to fall, they will be the second highest on record. Prices are expected to decrease due to lower US soyoil prices, historically low palm oil prices, and abundant world supplies of soybeans and rapeseed/canola.

FLAXSEED (excluding solin)

Intended area is down by 35%, the lowest level since 1993-94, due to low prices and high carry-in stocks. Although production is expected to decline by 33%, supplies are forecast to increase to a burdensome level which is expected to pressure prices downward. Exports are forecast to increase as production in the EU decreases from the high level of 1999-00. Average prices are expected to decline by about 5%.

SOYBEANS

Intended area is relatively unchanged, but due to lower expected yields, production and domestic supply are forecast to decrease slightly. This is expected to lead to an increase in imports. Domestic crush and exports are expected to remain near current record highs. Prices are forecast to decline by 5-10% due to the expected large US supplies for 2000-01.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains.....Dennis Jackson.....983-8461
E-mail.....jacksond@em.agr.ca
Oilseeds.....Chris Beckman.....984-4929
E-mail.....beckmac@em.agr.ca
Fred Oleson, Chief.....983-0807
E-mail.....olesonf@em.agr.ca

CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS MAY 1, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1998-1999 | 2,914 | 2.07 | 6,042 | 3 | 6,802 | 3,851 | 182 | 647 | 999 | 1,952 | 201 |
| 1999-2000f | 1,760 | 2.42 | 4,259 | 10 | 6,221 | 3,600 | 185 | 606 | 1,021 | 1,600 | 198 * |
| 2000-2001f | 2,430 | 2.11 | 5,135 | 1 | 6,736 | 3,900 | 185 | 631 | 1,036 | 1,800 | 175-205* |
| Wheat Except Durum | | | | | | | | | | | |
| 1998-1999 | 7,764 | 2.32 | 18,034 | 77 | 23,363 | 10,873 | 2,691 | 3,549 | 7,078 | 5,413 | 184 |
| 1999-2000f | 8,603 | 2.63 | 22,591 | 10 | 28,014 | 15,000 | 2,700 | 3,639 | 7,114 | 5,900 | 166 * |
| 2000-2001f | 7,830 | 2.46 | 19,245 | 10 | 25,155 | 12,700 | 2,725 | 3,490 | 7,055 | 5,400 | 158-188 * |
| All Wheat | | | | | | | | | | | |
| 1998-1999 | 10,678 | 2.25 | 24,076 | 80 | 30,165 | 14,723 | 2,873 | 4,196 | 8,077 | 7,365 | |
| 1999-2000f | 10,364 | 2.59 | 26,850 | 20 | 34,235 | 18,600 | 2,885 | 4,245 | 8,135 | 7,500 | |
| 2000-2001f | 10,260 | 2.38 | 24,380 | 11 | 31,891 | 16,600 | 2,910 | 4,121 | 8,091 | 7,200 | |
| Barley | | | | | | | | | | | |
| 1998-1999 | 4,272 | 2.98 | 12,709 | 55 | 15,223 | 1,695 | 375 | 10,081 | 10,841 | 2,687 | 117 |
| 1999-2000f | 4,069 | 3.24 | 13,196 | 25 | 15,908 | 2,550 | 410 | 10,193 | 11,058 | 2,300 | 105-115 |
| 2000-2001f | 4,977 | 3.09 | 15,395 | 15 | 17,710 | 3,300 | 460 | 10,545 | 11,410 | 3,000 | 90-120 |
| Corn | | | | | | | | | | | |
| 1998-1999 | 1,118 | 8.01 | 8,952 | 893 | 10,737 | 830 | 1,845 | 7,147 | 9,023 | 885 | 110 |
| 1999-2000f | 1,141 | 7.97 | 9,096 | 1,100 | 11,081 | 850 | 2,000 | 7,200 | 9,231 | 1,000 | 105-115 |
| 2000-2001f | 1,289 | 7.25 | 9,350 | 900 | 11,250 | 850 | 2,100 | 7,294 | 9,425 | 975 | 90-120 |
| Oats | | | | | | | | | | | |
| 1998-1999 | 1,592 | 2.49 | 3,958 | 3 | 4,807 | 1,491 | 226 | 1,833 | 2,224 | 1,092 | 132 |
| 1999-2000f | 1,398 | 2.60 | 3,641 | 4 | 4,737 | 1,400 | 220 | 1,857 | 2,237 | 1,100 | 120-130 |
| 2000-2001f | 1,400 | 2.55 | 3,575 | 3 | 4,678 | 1,450 | 225 | 1,838 | 2,228 | 1,000 | 110-140 |
| Rye | | | | | | | | | | | |
| 1998-1999 | 204 | 1.96 | 398 | 0 | 462 | 80 | 57 | 140 | 217 | 164 | |
| 1999-2000f | 169 | 2.29 | 387 | 2 | 553 | 80 | 65 | 195 | 278 | 195 | |
| 2000-2001f | 104 | 2.17 | 225 | 1 | 421 | 75 | 65 | 140 | 226 | 120 | |
| Mixed Grains | | | | | | | | | | | |
| 1998-1999 | 198 | 2.77 | 548 | 0 | 548 | 0 | 0 | 548 | 548 | 0 | |
| 1999-2000f | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001f | 169 | 2.79 | 472 | 0 | 472 | 0 | 0 | 472 | 472 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1998-1999 | 7,384 | 3.60 | 26,565 | 952 | 31,777 | 4,096 | 2,503 | 19,749 | 22,853 | 4,828 | |
| 1999-2000f | 6,930 | 3.86 | 26,767 | 1,131 | 32,726 | 4,880 | 2,695 | 19,892 | 23,251 | 4,595 | |
| 2000-2001f | 7,939 | 3.65 | 29,017 | 919 | 34,531 | 5,675 | 2,850 | 20,289 | 23,761 | 5,095 | |
| Canola | | | | | | | | | | | |
| 1998-1999 | 5,421 | 1.41 | 7,643 | 157 | 8,163 | 3,900 | 3,063 | 542 | 3,649 | 614 | 373 |
| 1999-2000f | 5,564 | 1.58 | 8,798 | 150 | 9,562 | 3,900 | 2,900 | 620 | 3,563 | 2,100 | 280-300 |
| 2000-2001f | 4,548 | 1.45 | 6,600 | 250 | 8,950 | 4,000 | 3,100 | 510 | 3,650 | 1,300 | 255-295 |
| Flaxseed | | | | | | | | | | | |
| 1998-1999 | 874 | 1.24 | 1,081 | 5 | 1,127 | 719 | n/a | n/a | 246 | 162 | 313 |
| 1999-2000f | 793 | 1.32 | 1,049 | 4 | 1,215 | 450 | n/a | n/a | 165 | 600 | 230-250 |
| 2000-2001f | 516 | 1.36 | 700 | 5 | 1,305 | 600 | n/a | n/a | 180 | 525 | 205-245 |
| Soybeans | | | | | | | | | | | |
| 1998-1999 | 980 | 2.79 | 2,737 | 254 | 3,179 | 868 | 1,576 | 396 | 2,064 | 247 | 266 |
| 1999-2000f | 999 | 2.77 | 2,766 | 400 | 3,413 | 900 | 1,800 | 397 | 2,263 | 250 | 245-275 |
| 2000-2001f | 1,001 | 2.70 | 2,700 | 450 | 3,400 | 900 | 1,805 | 400 | 2,275 | 225 | 220-260 |
| Total Oilseeds | | | | | | | | | | | |
| 1998-1999 | 7,275 | 1.58 | 11,461 | 417 | 12,469 | 5,487 | 4,639 | 938 | 5,959 | 1,023 | |
| 1999-2000f | 7,357 | 1.71 | 12,613 | 554 | 14,190 | 5,250 | 4,700 | 1,017 | 5,990 | 2,950 | |
| 2000-2001f | 6,065 | 1.65 | 10,000 | 705 | 13,655 | 5,500 | 4,905 | 910 | 6,105 | 2,050 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1998-1999 | 25,336 | 2.45 | 62,102 | 1,448 | 74,411 | 24,307 | 10,015 | 24,883 | 36,889 | 13,216 | |
| 1999-2000f | 24,650 | 2.69 | 66,231 | 1,705 | 81,152 | 28,730 | 10,280 | 25,154 | 37,377 | 15,045 | |
| 2000-2001f | 24,264 | 2.61 | 63,397 | 1,635 | 80,077 | 27,775 | 10,665 | 25,320 | 37,957 | 14,346 | |

(a) Aug.-July crop year except corn and soybeans which are Sept. - Aug.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver), Barley (No.1 Feed, WCE cash I/S, Lethbridge), Corn (No.2 CE cash I/S, Chatham), Oats (No. 3 CW, WCE cash Track Minneapolis); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - The March, 2000 CWB Pool Return Outlook (PRO) for 1999-00 and the April, 2000 PRO for 2000-01.

f - Agriculture and Agri-Food Canada forecast May 2000.

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Policy Branch - Market Analysis Division - Winnipeg, Manitoba

CANADA: SPECIAL CROPS SITUATION AND OUTLOOK FOR 2000-2001 April 28, 2000

Area seeded to special crops in Canada is forecast to increase by 21%, due mainly to a higher seeded area for dry peas. Increases in seeded area are also forecast for lentils, chick peas, canary seed, sunflower seed and buckwheat. The only decrease in seeded area is forecast for mustard seed, while the area seeded to dry beans is expected to remain stable. The expected increase in area seeded to special crops resulted from a shift out of canola, flaxseed and spring wheat, because of higher anticipated net returns for special crops. Statistics Canada's (STC) seeding intentions survey, conducted during the week of March 23-30 and released on April 20, provided estimates of areas seeded for most of the special crops by province but, in some cases, area seeded has been forecast by AAFC. The actual seeded area may differ due to changes in market outlook, spring weather conditions, as well as producer reaction to the published seeding intentions.

Assuming normal yields, which in general are lower than the actual yields in 1999-2000, production is forecast to increase by 11%. However, total supply is expected to increase by 12% due to higher carry-in stocks. Exports are forecast to increase by 7%, but domestic use is expected to remain stable. Carry-out stocks are forecast to increase by 60%. Average prices for dry peas, dry beans, mustard seed, canary seed and sunflower seed are expected to be similar to 1999-2000, while average prices for lentils, chick peas and buckwheat are expected to be lower. Seeding of special crops has started. Soils in some special crop growing areas are dry and timely rains will be needed throughout the growing season. Dry conditions also exist in some other major producing areas of the world. Therefore, the main factors to watch are growing conditions in Canada and other major importing and exporting countries, as well as the value of the Canadian dollar relative to the currencies of importing countries.

DRY PEAS

Area seeded is forecast to increase by 44% largely because of a shift out of canola. Production is forecast to increase by 20%, as lower normal yields partly offset the increase in seeded area. Total supply is expected to increase by 19%. Exports are forecast to increase by 7%, as Canada's share of total world supply increases. Domestic use is forecast to increase by 6%, due mainly to expected increased use for feeding hogs. Carry-out stocks are forecast to increase, with a stocks-to-use (s/u) ratio of 20%. World production is expected to increase slightly, but total world supply is expected to be stable due to lower carry-in stocks. The average price over all types, grades and markets is forecast to be similar to 1999-2000, in line with the stable world supply.

LENTILS

Area seeded is forecast to rise by 17%, mainly because of a shift out of spring wheat. Production is forecast to increase by 7%, as the increase in seeded area is partly offset by lower normal yields. However, total supply is forecast to increase by 16% due to higher carry-in stocks. Exports are expected to increase because of strong world demand, but domestic use is forecast to remain stable. Carry-out stocks are forecast to increase, with a s/u ratio of 24%. World production and supply are forecast to increase by about 5%. The average price over all types and grades is forecast to fall by about 10%, as pressure from higher world supply and higher Canadian carry-out stocks offsets support from the expected higher average crop quality in Canada.

DRY BEANS

Area seeded is forecast to remain stable, with a slight increase for white pea beans and a slight decrease for coloured beans. Production is forecast to decrease by 5%, due to lower normal yields, with a 6% decrease for white pea beans to 135,000 a tonne (t) and a 4% decrease for coloured beans to 145,000/t. Total supply is expected to remain stable because of higher carry-in stocks. Exports are forecast to remain stable, while domestic use increases slightly. Carry-out stocks are expected to decrease, with a s/u ratio of 11%. World production and total supply are expected to remain

stable. The average price, over all types and grades, is forecast to be similar to 1999-2000, in line with the stable world supply.

CHICK PEAS

Area seeded is forecast to increase by 16%, mainly due to a shift out of spring wheat. Production is forecast to increase by 14%, as the increase in seeded area and lower abandonment rate, are partly offset by lower normal yields. Assuming normal growing conditions and with the concentration of production in south-western Saskatchewan and south-eastern Alberta, the areas most suitable for chick pea production, the average quality of the crop is expected to improve. Total supply is forecast to increase by 20% due to increased carry-in stocks. Exports are forecast to increase by about 80% because of higher expected quality of the crop and larger supply. Exports of the desi type are expected to be mainly to the Indian sub-continent, whereas exports of the kabuli type are expected to be mainly to the western hemisphere, Europe and the Middle East. Domestic feed use is forecast to drop sharply as a result of reduced supply of low quality chick peas. Carry-out stocks are forecast to increase, with a s/u ratio of 26%. Total world supply is forecast to increase by about 3%, because of higher production and carry-in stocks. The average price over both types and all sizes and grades is forecast to decrease by about 5%, because of larger world supply, which is partly offset by improved crop quality in Canada and some shift in production to the higher priced kabuli type.

MUSTARD SEED

Area seeded is forecast to decrease by 24%, with a shift to durum wheat, lentils and chick peas. Production is forecast to decrease by 35%, as a result of the lower seeded area and lower normal yields. However, total supply is expected to decrease by only 12% due to higher carry-in stocks. Exports and domestic use are expected to remain stable. Carry-out stocks are forecast to decrease, but the s/u ratio is forecast to remain high at 43%. Since Canada is the dominant world exporter of mustard seed, the high carry-out stocks are expected to continue pressuring prices. Therefore, the average price over all types and grades is forecast to be similar to 1999-2000.

CANARY SEED

Area seeded is forecast to increase by 20%, mainly because of a shift out of canola. Production is forecast to increase by 18%, as the increase in seeded area is partly offset by lower normal yields. However, total supply is forecast to remain stable due to lower carry-in stocks. Exports and domestic use are expected to remain stable. Carry-out stocks are forecast to remain high, with a s/u ratio of 46%. Since Canada dominates world canary seed production, the high carry-out stocks are expected to continue pressuring prices, which are forecast to be similar to 1999-2000.

SUNFLOWER SEED

Area seeded is forecast to increase by 5%. Production is forecast to increase slightly as higher seeded area and lower abandonment rate, are partly offset by lower normal yields. Some shifting from oil type to confectionary type production is expected. Total supply is forecast to be similar to 1999-2000. Exports are forecast to remain stable, while domestic use increases. Carry-out stocks are forecast to decrease, with a s/u ratio of 21%. Total world supply is forecast to decrease by about 3%, however oilseed sunflower prices are expected to be pressured downwards by lower vegetable oil prices. Confectionary sunflower supply is expected to be lower because of lower seeded area in the US, which is expected to support confectionary prices. Therefore, the average price, over both types is forecast to be similar to 1999-2000.

BUCKWHEAT

Area seeded is forecast to increase by 8%. Production is forecast to increase by about 29% due to the higher seeded area and higher normal yields. Exports are forecast to increase slightly, while domestic use remains stable. The average price is forecast to decrease slightly, in line with a slightly higher world supply.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mail skrypetz@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mailolesonf@em.agr.ca
L:\MAD\OUTLOOKS&D\SpCrops\Apr2000sce.vpd

CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS (c)

APRIL 28, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1996-1997 | 520 | 2.25 | 1,169 | 8 | 1,397 | 856 | 461 | 80 | 209 |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,839 | 1,116 | 553 | 170 | 177 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,517 | 1,705 | 652 | 160 | 132 |
| 1999-2000f | 835 | 2.70 | 2,252 | 10 | 2,422 | 1,450 | 802 | 170 | 120-140 |
| 2000-2001f | 1,201 | 2.25 | 2,700 | 10 | 2,880 | 1,550 | 850 | 480 | 115-145 |
| Lentils | | | | | | | | | |
| 1996-1997 | 304 | 1.33 | 403 | 4 | 484 | 286 | 108 | 90 | 470 |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 473 | 349 | 109 | 15 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 502 | 372 | 120 | 10 | 381 |
| 1999-2000f | 497 | 1.46 | 724 | 10 | 744 | 510 | 149 | 85 | 370-390 |
| 2000-2001f | 577 | 1.34 | 775 | 5 | 865 | 550 | 145 | 170 | 330-360 |
| Dry Beans | | | | | | | | | |
| 1996-1997 | 84 | 1.58 | 133 | 26 | 179 | 124 | 45 | 10 | 605 |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000f | 154 | 1.91 | 294 | 35 | 354 | 250 | 59 | 45 | 515-545 |
| 2000-2001f | 153 | 1.83 | 280 | 25 | 350 | 250 | 65 | 35 | 510-550 |
| Chick Peas | | | | | | | | | |
| 1996-1997 | 3 | 1.33 | 4 | 4 | 8 | 1 | 7 | | n/a |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000f | 139 | 1.42 | 197 | 2 | 204 | 75 | 109 | 20 | 390-410 |
| 2000-2001f | 167 | 1.35 | 225 | 0 | 245 | 135 | 60 | 50 | 365-395 |
| Mustard Seed | | | | | | | | | |
| 1996-1997 | 233 | .99 | 231 | 1 | 262 | 141 | 61 | 60 | 363 |
| 1997-1998 | 292 | .83 | 243 | 1 | 304 | 166 | 63 | 75 | 398 |
| 1998-1999 | 279 | .86 | 239 | 1 | 315 | 162 | 63 | 90 | 348 |
| 1999-2000f | 273 | 1.12 | 306 | 1 | 397 | 180 | 67 | 150 | 275-295 |
| 2000-2001f | 207 | .97 | 200 | 0 | 350 | 180 | 65 | 105 | 270-300 |
| Canary Seed | | | | | | | | | |
| 1996-1997 | 235 | 1.21 | 285 | 0 | 305 | 122 | 44 | 139 | 300 |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 254 | 134 | 47 | 73 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 308 | 137 | 51 | 120 | 248 |
| 1999-2000f | 146 | 1.14 | 166 | 0 | 286 | 150 | 46 | 90 | 230-250 |
| 2000-2001f | 175 | 1.11 | 195 | 0 | 285 | 150 | 45 | 90 | 225-255 |
| Sunflower Seed | | | | | | | | | |
| 1996-1997 | 35 | 1.57 | 55 | 12 | 91 | 24 | 43 | 24 | 345 |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 101 | 45 | 46 | 10 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 139 | 43 | 61 | 35 | 388 |
| 1999-2000f | 79 | 1.54 | 122 | 10 | 167 | 60 | 72 | 35 | 305-325 |
| 2000-2001f | 86 | 1.45 | 125 | 10 | 170 | 60 | 80 | 30 | 300-330 |
| Buckwheat | | | | | | | | | |
| 1996-1997 | 17 | 1.30 | 22 | 1 | 25 | 11 | 12 | 2 | 320 |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 9 | 9 | 1 | 315 |
| 1999-2000f | 13 | 1.00 | 13 | 3 | 17 | 8 | 8 | 1 | 295-315 |
| 2000-2001f | 14 | 1.14 | 16 | 1 | 18 | 9 | 8 | 1 | 285-315 |
| Total Special Crops (C) | | | | | | | | | |
| 1996-1997 | 1,431 | 1.61 | 2,302 | 56 | 2,751 | 1,565 | 781 | 405 | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 53 | 3,201 | 1,949 | 892 | 360 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,127 | 2,635 | 1,046 | 446 | |
| 1999-2000f | 2,136 | 1.91 | 4,074 | 71 | 4,591 | 2,683 | 1,312 | 596 | |
| 2000-2001f | 2,580 | 1.75 | 4,516 | 51 | 5,163 | 2,884 | 1,318 | 961 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

Source: Statistics Canada and industry consultations.

f - Agriculture and Agri-Food Canada forecast, April 28, 2000.

As of Monday April 10, 2000

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|----------------------|--------------------------|--------|-----------|----------|----|-----------|----------|
| From: Thunder Bay | Track | WHEAT | 127.90 | 130.50 | | 123.50 | 141.00 |
| | | OATS | N/A | 127.00 | | 132.00 | N/A |
| | | BARLEY | 110.40 | 112.30 | | 107.60 | 118.80 |
| To: Bayports, Ont. | In-store | WHEAT | 157.02 | 159.62 | 1. | 150.61 | 169.46 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 144.44 | 146.34 | 1. | 139.34 | 153.22 |
| Montreal, Que. | In-store | WHEAT | 162.09 | 164.69 | 1. | 155.58 | 171.95 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 150.74 | 152.64 | 1. | 145.25 | 158.87 |
| Moncton, N.B | Truck via Halifax | WHEAT | 184.46 | 187.06 | | 177.98 | 188.88 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 176.21 | 178.11 | | 171.02 | 172.13 |
| Truro, N.S. | Truck via Halifax | WHEAT | 181.96 | 184.56 | | 175.48 | 186.38 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 171.33 | 173.23 | | 166.14 | 169.63 |
| Halifax, N.S. | In-store | WHEAT | 169.29 | 171.89 | 1. | 162.81 | 183.56 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 157.66 | 159.56 | 1. | 152.46 | 166.67 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 222.83 | 225.43 | | 218.43 | 235.93 |
| | | OATS | N/A | 233.20 | | 238.20 | N/A |
| | | BARLEY | 217.54 | 219.44 | | 214.74 | 221.47 |
| From: Melfort, Sask. | FOB | WHEAT | 114.70 | 117.00 | | 111.00 | 129.50 |
| | | OATS | 100.81 | 102.39 | | 107.50 | 121.25 |
| | | BARLEY | 100.40 | 103.30 | | 97.60 | 108.90 |
| To: Bayports, Ont. | Track | WHEAT | 170.82 | 173.12 | | 167.12 | 185.60 |
| | | OATS | 159.68 | 161.26 | | 166.37 | 186.62 |
| | | BARLEY | 153.79 | 156.69 | | 150.99 | 165.70 |
| Montreal, Que. | Track | WHEAT | 171.57 | 173.87 | | 167.87 | 186.36 |
| | | OATS | 160.58 | 162.16 | | 167.27 | 187.52 |
| | | BARLEY | 154.61 | 157.51 | | 151.81 | 166.52 |
| Moncton, N.B. | Track | WHEAT | 192.75 | 195.05 | | 189.05 | 207.53 |
| | | OATS | 183.92 | 185.50 | | 190.61 | 210.59 |
| | | BARLEY | 166.72 | 169.62 | | 163.92 | 188.08 |
| Truro, N.S. | Track | WHEAT | 192.92 | 195.22 | | 189.22 | 207.70 |
| | | OATS | 184.89 | 186.47 | | 191.58 | 214.03 |
| | | BARLEY | 180.34 | 183.24 | | 177.54 | 189.09 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 236.26 | 238.56 | | 232.56 | 251.03 |
| | | OATS | 232.27 | 233.85 | | 238.96 | 258.94 |
| | | BARLEY | 228.63 | 231.53 | | 225.83 | 237.39 |

| SOYMEAL 48 PERCENT PROTEIN | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--------|--------|
| From: Hamilton, Ont. | | | 279.87 | 285.72 | 281.42 | 235.23 |
| To: Montreal, Que. | Track | | 302.34 | 308.19 | 303.89 | 258.90 |
| Moncton, N.B. | Track | | 319.65 | 325.50 | 321.20 | 276.25 |
| Truro, N.S. | Track | | 322.62 | 328.47 | 324.17 | 279.39 |
| Stéphenville, Nfld. | Track / Truck via Sydney | | 371.88 | 377.73 | 373.43 | 326.69 |

n/a = not available

Contact: Hélène Ménard **Tel:** (514) 283-3815 (486) **Fax:** (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | As of Monday April 24, 2000 | | | | | | | | | | GLUTEN MEAL | GLUTEN FEED | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|-----------------------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|-------------|-------------|--------------|--------------|
| | | | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | | | |
| Vancouver B.C. | This week | FOB | (1) 137.66 | N/A | 133.16 | (3) 166.00 | | 318.75 | (7) 167.48 | 111.00 | 335.00 | (4) 525.00 | 370.00 | | | 340.00 |
| | Week ago | | (1) 137.16 | N/A | 134.16 | (3) 165.50 | | 309.25 | (7) 164.98 | 111.00 | 330.00 | (4) 525.00 | 370.00 | | | 340.00 |
| Calgary | This week | FOB | (1) 114.50 | 105.00 | 110.00 | (3) 140.00 | | 321.50 | 168.00 | | 295.00 | (4) 575.00 | 470.00 | | | 350.00 |
| | Week ago | | (1) 114.00 | 105.00 | 111.00 | (3) 140.00 | | 305.00 | N/A | | 290.00 | (4) 575.00 | 470.00 | | | 350.00 |
| Alta | This week | FOB | (1) 108.00 | 109.00 | 94.00 | (3) 124.00 | | 310.50 | 165.00 | | 295.00 | (4) N/A | 470.00 | | | 380.00 |
| | Week ago | | (1) 107.50 | 108.00 | 93.50 | (3) 123.00 | | 294.50 | 165.00 | | 290.00 | (4) N/A | 470.00 | | | 380.00 |
| Saskatoon | This week | FOB | (1) 114.40 | 105.56 | 100.50 | | | | | | | | | | | |
| | Week ago | | (1) 114.50 | 103.44 | 100.50 | | | | | | | | | | | |
| Melfort | This week | FOB | (1) 106.85 | 110.30 | 96.19 | (3) 120.00 | | 293.50 | 165.00 | | 290.00 | (4) 744.00 | 430.00 | | | 320.00 |
| | Week ago | | (1) 106.85 | 110.30 | 96.19 | (3) 119.00 | | 279.00 | 165.00 | | 290.00 | (4) 744.00 | 430.00 | | | 320.00 |
| Winnipeg Man. | This week | Track | (1) 131.80 | N/A | 113.10 | | | | | | | | | | | |
| | Week ago | | (1) 130.00 | N/A | 113.00 | (3) 131.32 | | | | | | | | | | |
| Thunder Bay Ont. | This week | On Board | | | | (3) 127.43 | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | |
| Lake Ports USA | This week | Vessel | (1) 147.90 | 152.00 | 127.55 | | | | | | | | | | | |
| | Week ago | | (1) 147.25 | 152.00 | 128.00 | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | | | | | | | | | | | | | | |
| | Week ago | | | | | (2) 122.83 | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | (2) 121.35 | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | FOB | 287.04 | 171.30 | | | | | | | |
| | Week ago | | | | | | | 277.89 | 170.97 | | | | | | | |
| Eastern Ontario | This week | FOB | (2) 119.17 | | | | | | | | | | | | | |
| | Week ago | | (2) 117.85 | | | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | 71.50 | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | 72.50 | | | | | | |
| | Week ago | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | |
| Trois-Riv. Que. | This week | In-store | (1) 151.40 | | 141.50 | (2) 140.94 | | | | | | | | | | |
| | Week ago | | (1) 150.50 | | 140.50 | (2) 140.25 | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | (1) 151.30 | 127.50 | 136.63 | (2) 128.73 | | | | | | | | | | |
| | Week ago | | (1) 152.88 | 121.50 | 136.75 | (2) 127.65 | | | | | | | | | | |
| St-Hyacinthe, Que. | This week | In-store | (1) 153.40 | | 140.17 | (2) 140.94 | FOB | | | | | | | | | |
| | Week ago | | (1) 152.50 | | 140.17 | (2) 140.12 | | | | | | | | | | |
| Quebec Que. | This week | Track | (1) 178.69 | 191.48 | 166.31 | (2) 169.44 | FOB | | | | | | | | | |
| | Week ago | | (1) 177.16 | 191.48 | 164.58 | (2) 167.62 | | | | | | | | | | |
| Truro N.S. | This week | Water | (1) N/A | N/A | N/A | 165.30 | | | | | | | | | | |
| | Week ago | | (1) N/A | N/A | N/A | 162.00 | | | | | | | | | | |
| Truro N.S. | This week | Truck | (1) N/A | N/A | N/A | 158.30 | FOB | | | | | | | | | |
| | Week ago | | (1) N/A | N/A | N/A | 149.90 | | | | | | | | | | |
| Halifax N.S. | This week | In-store | (1) N/A | N/A | N/A | | | | | | | | | | | |
| | Week ago | | (1) N/A | N/A | N/A | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1,000=Cdn \$1.4760 as of April 24, 2000
Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No. 1 Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Fish Meal 60% Protein, Fish Meal white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.
 (1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday April 24, 2000

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|-----------|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 131.80 | 130.00 | | 130.00 | 139.10 |
| | | OATS | N/A | N/A | | 127.00 | N/A |
| | | BARLEY | 113.10 | 113.00 | | 112.10 | 117.80 |
| To: Bayports, Ont. | In-store | WHEAT | 154.90 | 153.10 | 1. | 159.12 | 160.66 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 140.25 | 140.15 | 1. | 146.14 | 144.55 |
| Montreal, Que. | In-store | WHEAT | 159.65 | 157.85 | 1. | 164.19 | 165.73 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 145.37 | 145.27 | 1. | 152.44 | 149.60 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 182.12 | 180.32 | | 186.56 | 186.98 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 171.73 | 171.63 | | 177.91 | 171.13 |
| Truro, N.S. | Truck via Halifax | WHEAT | 179.62 | 177.82 | | 184.06 | 184.48 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 166.85 | 166.75 | | 173.03 | 168.63 |
| Halifax, N.S. | In-store | WHEAT | 166.95 | 165.15 | 1. | 171.39 | 174.29 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 153.17 | 153.07 | 1. | 159.36 | 157.64 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 226.73 | 224.93 | | 224.93 | 234.03 |
| | | OATS | N/A | N/A | | 233.20 | N/A |
| | | BARLEY | 220.24 | 220.14 | | 219.24 | 220.47 |
| From: Melfort, Sask. | FOB | WHEAT | 114.40 | 114.50 | | 114.10 | 129.00 |
| | | OATS | 105.56 | 103.44 | | 108.00 | 126.00 |
| | | BARLEY | 100.50 | 100.50 | | 101.10 | 104.60 |
| To: Bayports, Ont. | Track | WHEAT | 170.52 | 170.62 | | 170.22 | 185.10 |
| | | OATS | 164.43 | 162.31 | | 166.87 | 191.37 |
| | | BARLEY | 153.89 | 153.89 | | 154.49 | 161.40 |
| Montreal, Que. | Track | WHEAT | 171.27 | 171.37 | | 170.97 | 185.86 |
| | | OATS | 165.33 | 163.21 | | 167.77 | 192.27 |
| | | BARLEY | 154.71 | 154.71 | | 155.31 | 162.22 |
| Moncton, N.B. | Track | WHEAT | 192.45 | 192.55 | | 192.15 | 207.03 |
| | | OATS | 188.67 | 186.55 | | 191.11 | 215.34 |
| | | BARLEY | 166.82 | 166.82 | | 167.42 | 183.78 |
| Truro, N.S. | Track | WHEAT | 192.62 | 192.72 | | 192.32 | 207.20 |
| | | OATS | 189.64 | 187.52 | | 192.08 | 218.78 |
| | | BARLEY | 180.44 | 180.44 | | 181.04 | 184.79 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 235.96 | 236.06 | | 235.66 | 250.53 |
| | | OATS | 237.02 | 234.90 | | 239.46 | 263.69 |
| | | BARLEY | 228.73 | 228.73 | | 229.33 | 233.09 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|-----------|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 131.32 | 127.43 | | 130.33 | 130.34 |
| To: Montreal, Que. (US Corn) | In-store | | 150.22 | 146.33 | 1. | 155.87 | 148.34 |
| From: Saginaw (MI) | Track | | 121.44 | 120.46 | | 121.68 | 121.04 |
| To: Montreal, Que. (US Corn) | Track | | 148.98 | 148.00 | | 149.22 | 153.34 |
| From: Chatham | Track | | 122.83 | 121.35 | | 124.80 | 128.83 |
| To: Montreal, Que. | Track | | 145.72 | 144.24 | | 147.69 | 153.38 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 287.04 | 277.89 | | 283.40 | 229.06 |
| To: Montreal, Que. | Track | | 309.51 | 300.36 | | 305.87 | 252.73 |
| Moncton, N.B. | Track | | 326.82 | 317.67 | | 323.18 | 270.08 |
| Truro, N.S. | Track | | 329.79 | 320.64 | | 326.15 | 273.22 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 379.05 | 369.90 | | 375.41 | 320.52 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

May 12, 2000

Vol. 13 No. 8

MEXICO



Since the North American Free Trade Agreement (NAFTA) was reached in 1994, Canadian exports of agricultural products to Mexico have increased significantly, especially for canola, malting barley, and special crops. The increase in bilateral trade has made Canada the second largest market for Mexican exports, while Mexico has now become Canada's third largest trading partner after the US and Japan. For 2000-2001, imports from Canada are expected to increase and be supported by lower tariff rates under NAFTA. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Canada's exports of grains, oilseeds, and special crops to Mexico.

ECONOMY

The economy of Mexico has undergone significant changes since NAFTA was implemented in January of 1994. Due to the large current account deficit and reversal of short-term capital flows, the peso was floated and debt was restructured in December of 1994. This encouraged total exports and decreased imports resulting in a trade surplus of US\$7 billion in 1995 from a US\$19 billion trade deficit in 1994. Total agri-food trade between Canada and Mexico has increased to about CAN\$850 million in 1999 from about CAN\$660 million in 1994.

After the collapse of the peso, a number of significant structural changes have been introduced in Mexico to liberalize trade and improve the investment climate. Mexico has diversified its economy by gradually increasing the percentage of revenues from manufacturing exports compared to oil export revenues. This has decreased Mexico's reliance on world oil prices as a factor of its economic stability. There was an increased focus on privatization and a shift out of government ownership. The Mexican government introduced programs to increase both private investment and foreign direct investment for infrastructure. Efforts were also made to reduce the federal deficit and decrease government spending. The result was increased economic growth and a dramatic drop in the rate of inflation. The devaluation has worked its way through the system and the economy has stabilized. Macroeconomic stabilization policies and floating exchange rate regimes have reduced inflation significantly, while interest rates have moderated substantially. By mid-1997, the government had restructured its debt, with longer payment periods and lower interest rates.

Currently, the Mexican economy continues to strengthen due to the increasing world oil prices combined with continued conservative monetary and fiscal government policies. However, the financial sector has weakened due to high interest rates and a poor loan portfolio ratio. This has resulted in a decrease in capital inflows. Mexico has pursued free trade agreements with other nations to expand trade and lessen its dependence on the US market. Agri-food trade with Canada and other countries is expected to continue to increase, as domestic demand continues to increase despite Mexico's inability to expand production significantly.

LAND BASE

The majority of corn and dry beans are grown on small farms, about 2 hectares in size, in the central plateau region, where 25% of Mexico's arable land is located. In contrast, wheat, durum, and soybeans are grown on large irrigated farms, allowing for wheat yields of about 6.5 tonnes per hectare (t/ha), mainly in the north and northwest regions of Mexico. Southern tropical areas produce rice, coffee, and sugarcane on large commercial farms. About 77% of the arable land in Mexico is cultivated per year. The

remaining land contains steep slopes, preventing extensive mechanization.

AGRICULTURAL POLICY DEVELOPMENT

In 1993, *Programa de apoyo directo al campo* (PROCAMPO) was introduced by *Apoyos y Servicios a la Comercialización Agropecuaria* (ASERCA), the agency for farm supports and services, in compliance with the forthcoming NAFTA. It is intended to: (1) provide income support for producers, (2) reduce the resource allocation distortions created by guaranteed prices, and (3) encourage farmers to shift into the production of crops for which they have a comparative advantage. The program initially provided direct cash payments at planting time on a per hectare basis to growers of the following crops: corn, dry beans, wheat, rice, sorghum, soybeans, safflowers, cotton, and feed barley. Producers with land planted in these nine crops in the 1993 census qualified for payments. The eligible area was fixed in 1995-1996 as part of the Alliance of Agriculture program, and producers were free to grow other crops on the subsidized land, in response to market conditions. PROCAMPO estimates that for

MEXICO: ECONOMIC STATISTICS

| | 1995 | 1996 | 1997 | 1998 | 1999e |
|----------------------------|------|------|------|------|-------|
| Population (million) | 91.2 | 93.0 | 94.7 | 96.7 | 98.0 |
| GDP (US\$ billion)* | 287 | 335 | 408 | 420 | 473 |
| Exchange rate (pesos/US\$) | 6.5 | 7.6 | 7.9 | 9.3 | 9.7 |
| Inflation rate (%)* | 52.0 | 27.8 | 15.7 | 18.6 | 13.0 |

Land area: 195.3 million square kilometres
Arable land: 30 million square kilometres

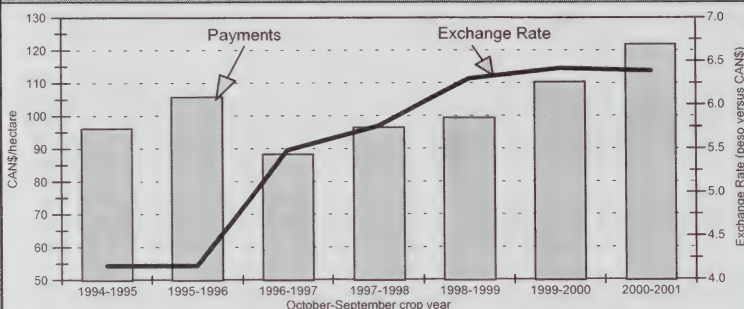
* International Monetary Fund

e: AAFC estimate, May 2000

Sources: FAO, AAFC



MEXICO: HISTORY OF PROCAMPO PAYMENTS



Source: USDA

2000-2001, approximately 13.5 million hectares (mln ha) will be eligible for a payment of CAN\$121.75 per hectare. These payments will remain in place until 2008.

In 1994, the NAFTA was implemented between Mexico, Canada, and the US. Although the NAFTA will remove virtually all tariffs between the member countries by 2003, each has been allowed to protect some priority industries for limited periods of time. The NAFTA has opened up the Mexican economy to international competition and forced producers to align their prices with world markets. Previously, Mexican crops were marketed through a government agency until direct payments were established in the early 1990s to facilitate the elimination of market price supports. Five years into the NAFTA, trade between Canada and Mexico has increased 110% and is forecast to grow by an additional 200% during the next 5 years.

In 1995, the Alliance for Agriculture program was designed to build upon PROCAMPO and cover areas such as: (1) modernization of irrigation systems and mechanization, (2) improved varieties of corn and dry beans, (3) livestock sector support, (4) producer training and extension programs, (5) poverty alleviation programs, and (6) technology programs. Also, in 1995, free trade agreements were signed with Columbia and Venezuela within the framework of the Group of Three. Separate agreements were signed with Costa Rica and Bolivia. These agreements have had minimal effects on trade.

In 1996, government storage facilities established to maintain agricultural product stocks and to store corn, were sold to private investors and producers under the mandate of privatization.

In 1997, PROGESSA was initiated to improve living standards for low-income families, especially in rural areas, by providing access to services such as health, nutrition, water, drainage, and electricity.

In 1998, a free trade agreement was signed with Nicaragua resulting in the tariff elimination on 45% of Mexican exports and 77% of Nicaraguan imports, but trade has not been significant.

In 1999, government control of tortilla prices, which was previously regulated due to the importance of tortillas in the Mexican diet, was eliminated. However, the Mexican government has an informal agreement with the tortilla industry to keep prices affordable for the low-income family. The closure of the national basic food company, *La Compañía Nacional de Subsistencias Populares* (CONASUPO), which previously intervened in corn and dry bean markets, allowed prices to be set by free market conditions and reduced the role of government agencies. Under NAFTA, tariff rate quotas (TRQ) for corn and dry beans will be removed over a period ending in 2008.

In March 2000, Mexico and the European Union (EU) reached a free trade agreement, which calls to reopen

negotiations on all major crops and products by no later than 2003 in an attempt to come to an agreement on tariff reductions. It is expected to increase agricultural trade between the EU and Mexico, improve the supply of goods and services, intensify foreign investment, facilitate access to state-of-the-art technology, and could potentially impact the market share of Canada and the US.

INFRASTRUCTURE

Truck transport handles about 70% of total Mexican imports due to modernization of the Mexican road system. Under NAFTA, Canadian and US truck operators should have been able to transport cargo to all the Mexican states by 1995. However, Mexico has delayed this process because of issues with Mexican transport unions concerning the restricted entry of Mexican trucks into the US.

For **railroads**, about 80% of Mexico's freight is now handled by private operators. The introduction of a pre-clearing system by Mexican customs has improved rail efficiency and border crossing times. Shipments can move across the border in less than 24 hours. For **ports**, the grain handling capacity has increased in recent years because of the reorganization of port operations and an increase in grain terminal capacity at specific ports.

MEXICO: CROPS

| Oct.-Sept. crop year ^{1/} | 1990 -1994 ^{2/} | 1994 -1998 ^{2/} | 1998 -1999 | 1999 -2000f | 2000 -2001f |
|---------------------------------------|-----------------------------|-----------------------------|---------------|----------------|----------------|
|million tonnes..... | | | | | |
| Corn | | | | | |
| Production | 16.6 | 17.7 | 17.6 | 19.0 | 19.0 |
| Consumption | 17.7 | 21.9 | 23.0 | 23.1 | 23.6 |
| Imports | 1.3 | 4.3 | 5.6 | 4.6 | 5.0 |
| Sorghum | | | | | |
| Production | 3.6 | 5.3 | 6.4 | 6.4 | 6.4 |
| Consumption | 7.5 | 7.5 | 9.8 | 10.7 | 10.5 |
| Imports | 3.8 | 2.4 | 3.3 | 4.0 | 4.0 |
| Wheat | | | | | |
| Production | 3.8 | 3.6 | 3.2 | 3.1 | 3.3 |
| Consumption | 4.8 | 5.0 | 5.5 | 5.6 | 5.4 |
| Imports | 1.1 | 1.8 | 2.5 | 2.7 | 2.6 |
| Soybeans | | | | | |
| Production | 0.6 | 0.2 | 0.1 | 0.1 | 0.1 |
| Consumption | 2.6 | 2.8 | 4.0 | 4.1 | 4.3 |
| Imports | 1.9 | 2.6 | 3.8 | 4.0 | 4.2 |
| Barley | | | | | |
| Production | 0.5 | 0.4 | 0.4 | 0.5 | 0.5 |
| Consumption | 0.7 | 0.6 | 0.6 | 0.7 | 0.8 |
| Imports | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 |

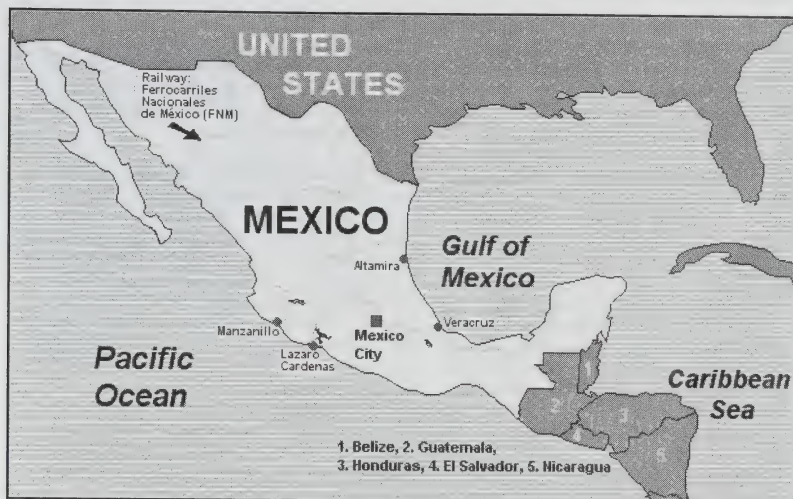
^{1/} except wheat which is July-June

^{2/} four year average

f: forecast, Corn and Sorghum: USDA May 2000;

Wheat and Barley: AAFC May 2000; Soybeans: USDA May 2000;

Sources: USDA



SITUATION AND OUTLOOK

Wheat

For 1999-2000, wheat production decreased to 3.1 million tonnes (Mt), slightly below 1998-1999 due to lower area seeded and yields related to dry conditions. Imports are forecast to increase to about 2.0 Mt from the US, partly due to the assistance of the US Export Credit Guarantee Program (GSM-102), and 0.7 Mt from Canada, from a total of 2.5 Mt in 1998-1999. In 1998, the Canadian Wheat Board (CWB) signed a supply agreement with Grupo Industrial Bimbo of Mexico City to supply Western Canadian spring wheat over a three year period. Mexican millers prefer the high quality of Canadian wheat, which is blended to improve domestic flour quality. Imports from Canada and the US are favored under NAFTA whereby the tariff rate quota for both wheat and flour is 4.5% per kilogram compared to the non-NAFTA tariff of 67% for the year 2000.

For 2000-2001, area seeded and average yields are expected to increase, assuming a return to normal growing conditions. Since production is forecast to increase, imports are expected to decrease slightly from 1999-2000. Canada's share of the Mexican wheat market is expected to remain similar to 1999-2000.

Durum

Due to high internal transport costs and high crop quality, Mexico has become an exporter of durum in recent years. Mexican livestock producers have used durum as a major feed ingredient in hog rations when there is a surplus of low-quality durum.

In March 2000, the Mexican government announced it would conduct an auction to provide subsidy assistance for 0.3 Mt of durum exports for the fall/winter 1999-2000 crop as part of PROCAMPO. Bidders must pay about CAN\$320 to participate and bids will be awarded based on export quantity and size of subsidy.

For 1999-2000, durum production increased to 1.1 Mt, slightly above 1998-1999 due to ample reservoir water levels. Exports are expected to increase to 0.5 Mt, from 0.35 Mt in 1998-1999. Mexican durum has proved more disease resistant than other wheat varieties.

For 2000-2001, Mexican durum exports are forecast to continue to increase as Mexican producers continue to export durum to international markets such as North Africa and western Europe.

Barley

Mexico is the eighth largest beer producer in the world and in 1998 domestic beer production reached 58 million hectoliters. In the last 25 years, beer consumption has increased substantially. Currently, consumption of beer in Mexico is 50 liters per capita. An increase in consumption to 55 liters per capita would require an additional 0.1 Mt of malting barley.

For 1999-2000, while barley production, consisting mainly of six-row varieties, increased slightly to 0.5 Mt, consumption is expected to increase 15% to 0.73 Mt due to increased beer production in Mexico. As a result, Mexican malting barley imports are expected to increase significantly to 0.28 Mt. Canada is forecast to increase exports of barley to Mexico by about 75% to 0.1 Mt in 1999-2000, due in part to the poor quality of the US malting barley crop. Generally, Canadian barley exports to Mexico consist of

80% malt barley and 20% malt. The remainder of Mexico's imports of malting barley are sourced from the US and the EU.

Under NAFTA, Canada's 2000 tariff rate quota for malt and barley, combined, is 40,202 tonnes (t) with an over quota tariff of 72.96%. However, Mexican brewers can apply for exemptions from the TRQ if they import over the quota or if supplies from US and Canada are not available. Recently, the CWB suggested that malt be removed from the quota restriction, and under the World Trade Organization Uruguay Meetings, countries agreed to eliminate the tariff on beer by the year 2002.

For 2000-2001, barley production is forecast to remain similar to 1999-2000 due to increased seeded area and yields. Canadian barley exports to Mexico are expected to increase 18% due to a continued increase in domestic beer production.

Canola

Mexico is a major importer of oilseeds for processing in their domestic crushing industry to offset the deficit between its vegetable oil consumption and its domestic production. Due to canola's high oil content, compared to soybeans, it has been an attractive import for Mexico. The low demand by domestic livestock users for the resulting canola meal has improved in recent years and has been reflected in Canadian canola exports to Mexico. Canada is currently conducting market development for canola meal through a series of poultry feeding trials, by attending trade conferences and by planning informational seminars. Mexican crushers have markets for canola oils and will import canola when it is price competitive and when more markets are available for canola meal.

For 1999-2000, Mexican imports of canola are forecast to reach 0.85 Mt. Mexico is Canada's third largest canola export market after Japan and China. Canada is forecast to increase exports of canola to Mexico by about 10% to 0.58 Mt in 1999-2000. All oilseeds, except safflower seed, are tariff free while crude vegetable oils of NAFTA origin are currently subject to a 7% tariff. Non-NAFTA imports are subject to a 10% tariff.

For 2000-2001, Mexican canola imports are forecast to increase due to the expectation that vegetable oil consumption will continue to rise over the medium-term. Canadian exports of canola are forecast to increase despite competition from the EU and Australia.

Special Crops

Mexico's total imports of **canary seed** have been trending upward, with about 50,000 t imported in 1998-1999. Canada's share of the market has been increasing and reached 35,000 t in 1998-1999. In 1998-1999, Mexico became the largest export destination for Canadian canary seed. For **1999-2000**, Canadian exports are forecast to increase to 38,000 t.

Mexico's total imports of **lentils** have been trending upwards with about 28,000 t imported in 1998-1999. Canada's share of the imports has been trending upwards and reached 12,000 t in 1998-1999. For **1999-2000**, Canada's exports of lentils are expected to increase sharply to 23,000 t as Canada becomes the main supplier.

Total imports of **dry beans** have varied depending on domestic production. In 1998-1999, imports were low at about 70,000 t but Canada's share has increased to 2,000 t. Total **dry pea** imports have been stable, however Canada's share has increased to about 40%, reaching 7,000 t in 1998-1999. Total **sunflower seed** imports have decreased in recent years. However, Canada's share has been increasing, reaching 2,000 t in 1998-1999. Mexico imports mainly confectionary sunflower seeds from Canada. For **1999-2000**, Canadian exports of dry beans and dry peas are expected to increase to 2,500 t and 9,000 t respectively, while sunflower seed exports are expected to remain stable at 2,000 t.

For **2000-2001**, total Canadian exports of special crops are forecast to increase due to growing demand and a continuing shift to Canada as a major supplier. The largest increase is expected to be for lentils and dry peas, as the Canadian share of Mexico's imports increases. Smaller increases are forecast for canary seed, sunflower seed, and dry beans. Under the NAFTA agreement, a 15 year transition period was established for the import of dry beans from the US and Canada ending in 2008. Canada has a

TRQ of 1,791 t and an over quota tariff of 93.9% for dry beans in 2000. Dry beans imported for seeding, already have a zero tariff rate. The Mexican demand is mainly for coloured beans. Canadian dry bean exports are expected to trend upwards during the next decade as a result of the increasing TRQ and declining tariff rate, which will be eliminated in the year 2008. There are no tariffs for the other special crops imported from Canada.

Pork

Mexican hog and pork production has decreased in recent years because of reduced net returns to producers as a result of lower prices, inflation and increased feed costs and US competition. This has led to vertical integration and currently large producers dominate Mexican hog production.

For **1999-2000**, Mexican pork production is expected to increase 2% to 0.97 Mt from 1998-1999. Hog numbers for 1999-2000 are expected to also remain similar to 1998-1999 at 14.8 million head (mln hd). Per capita consumption is estimated at 9.6 kg and is expected to increase over the medium-term. Canadian pork exports are forecast to increase 20% to 10,500 t in 1999-2000 due to the superior quality standards and market promotion of Canadian pork. The safeguard quota for pork and hogs is 8,041 t and 1,340 head, respectively for 2000 at a 6% tariff and the over quota tariff of 20%. However, Canadian hog exports are forecast to decrease 25% to about 4,100 head in 1999-2000 due to pressure from Mexican producers to reduce imports in a sector dominated by the US, which account for about 90% of Mexico's hog and pork imports.

For **2000-2001**, the currently improving Mexican consumer purchasing power is creating demand for variety pork meats. Mexican pork imports are expected to increase as Mexican sausage and cold meat companies favour Canadian and US pork products due to high consistency and quality.

Beef

The Mexican cattle herd and beef production has remained stable throughout the 1990s as per capita consumption has decreased slightly to 19.6 kg and has offset population growth.

For **1999-2000**, Mexican cattle inventories are forecast to remain similar to 1998-1999 at 8.5 mln hd while 1999-2000 domestic beef production is expected to increase 5% to 1.9 Mt from 1998-1999. Canadian cattle imports are expected to decrease 35% to 3,500 head, however, imports of Canadian beef are forecast to increase nearly 200% to 12,800 t due to Canada's superior quality of beef.

For **2000-2001**, Mexican beef consumption is forecast to increase slightly to support its high quality and frozen food demand from the tourist and restaurant sector and lower value beef for the lower income populations.

Over the medium-term, Mexico is expected to increase its reliance on imports of value-added agricultural food products and bulk commodities as demand increases. This is due to growth in income and the high proportion of the population in the "less than 30 age bracket". Canada is expected to be well positioned to continue to service the Mexican import market for wheat, malting barley, canola, beef, pork, and special crops.

For more information, please contact:

Bobby Morgan
Market Analyst
Phone: (204) 984-0680
E-mail: morganb@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

MEXICO: IMPORTS OF GRAINS AND OILSEEDS FROM CANADA

| August-July crop year | 1990 -1994 ^{2/} | 1994 -1998 ^{2/} | 1998 -1999 | 1999 -2000f | 2000 -2001f |
|--------------------------|-----------------------------|-----------------------------|---------------|----------------|----------------|
| |thousand tonnes..... | | | | |
| Wheat | 508 | 563 | 676 | 700 | 700 |
| Canola | 142 | 494 | 529 | 575 | 650 |
| Barley ^{1/} | 31 | 29 | 62 | 110 | 125 |

^{1/} feed barley: 1990-1997; malting barley: 1998-2001

^{2/} four year average

f: AAFC forecast, May 2000

Sources: Canadian Grain Commission

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Agriculture and Agri-Food Canada,
500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

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| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | As of Monday May 8, 2000 | | | | | | |
|---|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-------------|--------------|--------------------------|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48" | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | GLUTEN FEED | DEHY ALFALFA | FEATHER MEAL | | | | | | |
| Vancouver B.C. | This week | FOB | (1) 141.16 | N/A | 135.16 | (3) 174.00 | | 331.25 | (7) 181.65 | 112.00 | 340.00 | (4) 545.00 | 370.00 | | | | 345.00 | | | | | | |
| | Week ago | | (1) 139.66 | N/A | 134.66 | (3) 166.00 | | 330.75 | (7) 185.59 | 112.00 | 335.00 | (4) 545.00 | 370.00 | | | | 340.00 | | | | | | |
| Calgary Alta | This week | FOB | (1) 118.00 | 105.00 | 112.00 | (3) 148.00 | | 333.50 | 181.00 | | 295.00 | (4) 595.00 | 470.00 | | | | 355.00 | | | | | | |
| | Week ago | | (1) 116.50 | 105.00 | 111.50 | (3) 135.00 | | 322.50 | 171.00 | | 290.00 | (4) 595.00 | 470.00 | | | | 350.00 | | | | | | |
| Saskatoon Sask. | This week | FOB | (1) 108.00 | 109.00 | 94.00 | (3) 145.00 | | 322.50 | 175.00 | | 305.00 | (4) N/A | 470.00 | | | | 385.00 | | | | | | |
| | Week ago | | (1) 108.00 | 109.00 | 94.00 | (3) 126.00 | | 312.00 | 165.00 | | 300.00 | (4) N/A | 470.00 | | | | 380.00 | | | | | | |
| Melfort Sask. | This week | FOB | (1) 120.00 | 104.58 | 101.70 | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 111.70 | 105.96 | 98.10 | | | | | | | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | (1) 108.95 | 117.59 | 93.27 | (3) 133.00 | | 308.50 | 175.00 | | 310.00 | (4) 744.00 | 430.00 | | | | 320.00 | | | | | | |
| | Week ago | | (1) 106.85 | 110.30 | 96.19 | (3) 125.00 | | 297.00 | 165.00 | | 300.00 | (4) 744.00 | 430.00 | | | | 320.00 | | | | | | |
| Thunder Bay Ont. | This week | Track | (1) 133.00 | N/A | 113.20 | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 130.60 | N/A | 111.20 | | | | | | | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | (3) 141.06 | | | | | | | | | | | | | | | | | |
| | Week ago | Vessel | | | | (3) 130.03 | | | | | | | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | (1) 149.00 | 161.00 | 125.95 | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 146.10 | 155.00 | 123.95 | | | | | | | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | (2) 128.44 | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | (2) 120.07 | | | | | | | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | 298.00 | (5) N/A | 445.00 | 395.00 | 118.00 | 200.00 | 365.00 | | | | | | |
| | Week ago | | | | | | FOB | 318.45 | 184.19 | | 287.00 | (5) N/A | 430.00 | 395.00 | 115.00 | 200.00 | 395.00 | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | | 292.55 | 169.42 | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | (2) 123.19 | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | (2) 119.49 | | | | | | | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | FOB | 333.04 | 200.86 | 107.25 | 298.00 | (5) 645.00 | 276.00 | 395.00 | 120.00 | 215.00 | 370.00 | | | | | | |
| | Week ago | | | | | | | 310.96 | 191.36 | 111.17 | 287.00 | (5) 645.00 | 276.00 | 395.00 | 117.00 | 215.00 | 380.00 | | | | | | |
| Trois-Riv. Que. | This week | In-store | (1) 157.00 | | 145.20 | (2) 150.88 | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 154.60 | | 142.20 | (2) 144.48 | | | | | | | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | (1) 155.90 | 125.75 | 138.13 | (2) 133.56 | | | | | | | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | (1) 153.73 | 127.25 | 135.40 | (2) 129.13 | | | | | | | | | | | | | | | | | |
| Quebec Que. | This week | In-store | (1) 157.53 | | 142.50 | (2) 149.57 | FOB | 330.95 | | | | | | | | | | | | | | | |
| | Week ago | | (1) 153.30 | | 139.50 | (2) 139.89 | | 308.35 | | | | | | | | | | | | | | | |
| Truro N.S. | This week | Track | (1) 182.02 | 191.48 | 168.04 | (2) 176.29 | FOB | 351.25 | 221.04 | | | | | | | | 397.50 | | | | | | |
| | Week ago | | (1) 180.86 | 191.48 | 167.81 | (2) 170.84 | | 341.05 | 218.66 | | | | | | | | 414.60 | | | | | | |
| Truro N.S. | This week | Water | (1) N/A | N/A | N/A | 176.00 | | | | | | | | | | | | | | | | | |
| | Week ago | & Truck | (1) N/A | N/A | N/A | 167.25 | | | | | | | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | (1) N/A | N/A | N/A | 163.90 | FOB | | | | | | | | | | | | | | | | |
| | Week ago | | (1) N/A | N/A | N/A | 155.15 | | | | | | | | | | | | | | | | | |
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Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.4925 as of May 8, 2000

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat. No. 1 Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWR5 (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 65% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday May 8, 2000

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-----------------------------|--------------------------|---------------|---------------|---------------|----|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 133.00 | 130.60 | | 127.90 | 138.10 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 113.20 | 111.20 | | 110.40 | 117.80 |
| To: Bayports, Ont. | In-store | WHEAT | 156.10 | 153.70 | 1. | 157.02 | 159.66 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 140.35 | 138.35 | 1. | 144.44 | 144.55 |
| Montreal, Que. | In-store | WHEAT | 160.85 | 158.45 | 1. | 162.09 | 164.73 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 145.47 | 143.47 | 1. | 150.74 | 149.60 |
| Moncton, N.B | Truck via Halifax | WHEAT | 183.32 | 180.92 | | 184.46 | 185.98 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 171.83 | 169.83 | | 176.21 | 171.13 |
| Truro, N.S. | Truck via Halifax | WHEAT | 180.82 | 178.42 | | 181.96 | 183.48 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 166.95 | 164.95 | | 171.33 | 168.63 |
| Halifax, N.S. | In-store | WHEAT | 168.15 | 165.75 | 1. | 169.29 | 173.29 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 153.27 | 151.27 | 1. | 157.66 | 157.64 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 227.93 | 225.53 | | 222.83 | 233.03 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 220.34 | 218.34 | | 217.54 | 220.47 |
| From: Melfort, Sask. | FOB | WHEAT | 120.00 | 111.70 | | 114.70 | 127.00 |
| | | OATS | 104.58 | 105.96 | | 100.81 | 125.00 |
| | | BARLEY | 101.70 | 98.10 | | 100.40 | 103.40 |
| To: Bayports, Ont. | Track | WHEAT | 176.12 | 167.82 | | 170.82 | 183.10 |
| | | OATS | 163.45 | 164.83 | | 159.68 | 190.37 |
| | | BARLEY | 155.09 | 151.49 | | 153.79 | 160.20 |
| Montreal, Que. | Track | WHEAT | 176.87 | 168.57 | | 171.57 | 183.86 |
| | | OATS | 164.35 | 165.73 | | 160.58 | 191.27 |
| | | BARLEY | 155.91 | 152.31 | | 154.61 | 161.02 |
| Moncton, N.B. | Track | WHEAT | 198.05 | 189.75 | | 192.75 | 205.03 |
| | | OATS | 187.69 | 189.07 | | 183.92 | 214.34 |
| | | BARLEY | 168.02 | 164.42 | | 166.72 | 182.58 |
| Truro, N.S. | Track | WHEAT | 198.22 | 189.92 | | 192.92 | 205.20 |
| | | OATS | 188.66 | 190.04 | | 184.89 | 217.78 |
| | | BARLEY | 181.64 | 178.04 | | 180.34 | 183.59 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 241.56 | 233.26 | | 236.26 | 248.53 |
| | | OATS | 236.04 | 237.42 | | 232.27 | 262.69 |
| | | BARLEY | 229.93 | 226.33 | | 228.63 | 231.89 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|------------------------|--|---------------|---------------|----|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 141.06 | 130.03 | | 127.52 | 127.74 |
| To: Montreal, Que. (US Corn) | In-store | | 159.96 | 148.93 | 1. | 153.06 | 145.74 |
| From: Saginaw (Mi) | Track | | 132.21 | 120.55 | | 120.64 | 119.70 |
| To: Montreal, Que. (US Corn) | Track | | 159.75 | 148.09 | | 148.18 | 152.00 |
| From: Chatham | Track | | 128.44 | 120.07 | | 122.14 | 122.63 |
| To: Montreal, Que. | Track | | 151.33 | 142.96 | | 145.03 | 147.18 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|--------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 318.45 | 292.55 | | 279.87 | 225.31 |
| To: Montreal, Que. | Track | | 340.92 | 315.02 | | 302.34 | 248.98 |
| Moncton, N.B. | Track | | 358.23 | 332.33 | | 319.65 | 266.33 |
| Truro, N.S. | Track | | 361.20 | 335.30 | | 322.62 | 269.47 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 410.46 | 384.56 | | 371.88 | 316.77 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

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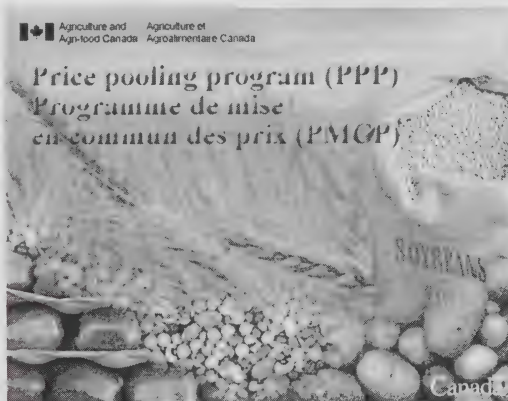
PRICE POOLING PROGRAM UNDER THE AGRICULTURAL MARKETING PROGRAMS ACT

The Agricultural Marketing Programs Act (AMPA) offers two programs to assist producers marketing their crops: the Price Pooling Program (PPP) and the Advance Payment Program. The purpose of the PPP is to facilitate the marketing of eligible agricultural products, including processed products under cooperative plans by guaranteeing minimum average prices of products sold by marketing agencies. The price guarantee is set by the federal government based on expected market price for the crop year and is not intended as an income support program. This issue of the *Bi-weekly Bulletin* describes the PPP, its benefits and current participating organizations. It also provides information to help marketing agencies to determine whether they are eligible for the program.

WHAT IS THE PRICE POOLING PROGRAM?

The PPP was originally enacted in 1939, under the provision of the Agricultural Products Cooperative Marketing Act (APCMA). In April 1997, the program was amalgamated with other programs under the provision of the AMPA.

The Price Pooling Program is a federal program that provides price guarantee to marketing agencies that operate a co-operative plan. This guarantee protects the marketing agencies and their producers against unanticipated declines in the market price of their



products and assists marketing agencies in obtaining financing. It improves cash flow of producers through an initial payment for products delivered and provides equal returns to producers for products of like grades, varieties, and types.

HOW DOES IT WORK?

The Minister of Agriculture and Agri-Food Canada enters into an agreement with a marketing agency (associations of producers, processor, or selling agent) for the marketing of agricultural products under a cooperative plan. The agreement provides a price

WHAT ARE THE BENEFITS TO USING THE PRICE POOLING PROGRAM?

- Improves the cash flow position of producers through the provisions of an initial payment guarantee for the product delivered, allowing them to meet their short-term financial obligations, and through better returns for the product resulting from the more professional marketing approach possible in a cooperative marketing situation;
- Improves the producers' farm income by allowing the marketing of their crops over an extended season when market conditions are better thus achieving orderly marketing of these products;
- Provides equal returns to producers for products of like grade, variety and type;
- Encourages producers in forming their own marketing agency to take advantage of marketing opportunities; to help process products to increase returns (value-added production) and establish a market for producers production;
- Helps the marketing agencies lock-in a minimum rate-of-return for their members and protects them from unexpected declines in the marketplace;
- Assists marketing agencies in obtaining financing for operating funds and for issuing members an initial payment for their product upon delivery to the cooperative;
- Enables the marketing agency to profit from economies of scale;
- Provides single desk selling with a pooled price.

guarantee for products sold, allows the marketing agency to make an initial payment to the producers for products delivered and covers eligible storing, processing, carrying and selling costs of the marketing agency, to a fixed maximum. The price guarantee is set at a percentage of the expected average wholesale price of the product.

The agreement covers the production of an agricultural product for a crop year. Once all the agricultural product is sold, the actual average wholesale price received by the marketing agency is determined. If the calculated value is less than the eligible initial payment plus the eligible costs, the program allows for a payment for the shortfall by the federal government.

If the calculated value is greater, by contrast, the surplus is retained by the pool for future use or is distributed by the marketing agency to the producers according to the grade, variety and type of the product that they delivered to the pool.

WHAT IS A COOPERATIVE PLAN?

A cooperative plan is an agreement or an arrangement for marketing between producers and the Marketing Agency, that provides for:

- an initial payment to producers for delivery, as stipulated in the price guarantee agreement between the Minister of Agriculture and Agri-Food Canada and the Marketing Agency;
- pooling the proceeds from the sale of the agricultural product;
- equal returns to the producers for agricultural products of like grades, varieties and types; and
- returning to the producers the proceeds from the sale of all of the agricultural product that has been delivered under the agreement or arrangement and produced during the period specified in the agreement, after deducting the initial payment, the marketing agency's costs and any reserves.

The cooperative plan administered by the Marketing Agency must apply to a significant portion of the producers in the area where the plan applies or to a significant portion of the agricultural product produced in that area.

HOW DOES A MARKETING AGENCY APPLY FOR A GUARANTEE?

A copy of the Price Pooling Application can be obtained by contacting the program staff or by visiting the Price Pooling Program Website at: <http://www.agr.ca/misb/nmp/ppp/>

When applying to the Price Pooling Program, the Marketing Agency must demonstrate:

- its capacity to market the agricultural products delivered under a cooperative plan;
- its administrative capability and financial means to implement the marketing plan being proposed in its request for a guarantee;
- that it represents a significant portion of

WHO IS ELIGIBLE UNDER THE PROGRAM?

The program is designed to assist and encourage cooperative marketing of eligible agricultural products. The program itself is delivered through the marketing agencies on behalf of their members.

Under the program, a "Marketing Agency" is defined as:

- An association of producers (such as cooperatives and marketing boards) whose purpose is the marketing, under a cooperative plan, of agricultural products produced by the producers;
- A person engaged in the processing of agricultural products for marketing under a cooperative plan;
- A person authorized by one or more associations or persons mentioned in the above points to market agricultural products under a single cooperative plan.

To qualify, the Marketing Agency must meet the definition of Marketing Agency (as outlined above), and it must market the agricultural product or value-added product under a cooperative plan. The revenues coming from the sales of the agricultural product are pooled together, and the producers receive equal returns for products delivered of like grade, variety and type.

The Marketing Agency may offer the Price Pooling Program as one marketing option available to its producers. This gives producers a choice in how they would like the Marketing Agency to market their product.

The Marketing Agency must represent a significant portion of the producers in the area where the cooperative plan applies or a significant portion of the agricultural product produced in that area.

WHAT IS ELIGIBLE UNDER THE PROGRAM?

The Marketing Agencies, during the crop year will market the agricultural products that have been delivered to the pools by producers.

An "Agricultural Product" is defined as :

- An animal, a plant or an animal or plant product; or
- A product, including any food or drink, that is wholly or partly derived from an animal or plant.

The agricultural product must also be:

- produced in Canada by the producer who received the initial payment during the period specified in the agreement;
- delivered during that period to the marketing agency to be sold under a cooperative plan; and
- agricultural products, other than wheat and barley that is grown in the Canadian Wheat Board (CWB) designated areas.

1999-2000: MARKETING AGENCIES CURRENTLY PARTICIPATING IN THE PRICE POOLING PROGRAM

| PROVINCE | MARKETING AGENCY | AGRICULTURAL PRODUCTS |
|--------------|--|---|
| Alberta | Agricore - Bean Business Unit | dry edible beans: (pink, pinto, great northern, small red, black) |
| Ontario | Ontario Apple Marketing Commission Ontario Bean Producers' Marketing Board Ontario Flue-Cured Tobacco Growers' Marketing Board Ontario Wheat Producers' Marketing Board | apple juice concentrate white pea beans flue-cured tobacco wheat |
| Nova Scotia | East Coast Commodities Inc. | wheat, barley, corn, soybeans |
| Source: AAFC | | |

the producers or a significant portion of the agricultural product produced in the area covered by the cooperative plan; and

- that it is a legal entity, capable of being sued and of suing in its own name.

WHEN SHOULD THE MARKETING AGENCY SUBMIT ITS APPLICATION?

The Marketing Agency must make an application annually to Agriculture and Agri-Food Canada to participate in the Price Pooling Program.

On average, the approval process takes six to eight weeks to be completed. It is recommended that the Marketing Agency send the completed application at least six to eight weeks prior to the date the agreement is required. The marketing agencies are encouraged to contact the program staff prior to completing the application. Staff can help the marketing agency determine if the program meets the marketing agency's needs and determine if the program can be adapted to the existing marketing system.

WHAT TAKES PLACE AT THE APPLICATION PROCESS?

Once an application is received, it is reviewed for completeness. The application review process determines the eligibility of the Marketing Agency and the eligibility of the agricultural product that is going to be pooled. The request is then evaluated to establish the Marketing Agency's administrative capability and financial means to implement the marketing plan being proposed in its request for a guarantee and its capacity to market the agricultural products delivered under a cooperative plan.

An analysis is also conducted to determine the expected average wholesale price of the agricultural product for the coming crop year. This

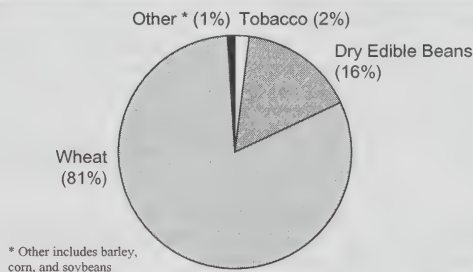
forecast is established, based on information provided by the marketing agency and an analysis of the markets by commodity specialists. The completed analysis is then presented to a review committee which prepares a recommendation for the Minister for Agriculture and Agri-Food or his delegates. Once approved, the price guarantee level and other terms of the agreement are discussed with the Marketing Agency.

HOW IS THE TOTAL GUARANTEE LEVEL DETERMINED?

In its application, the marketing agency requests a total price guarantee for each agricultural product being pooled based on its expected average wholesale price for a given period. Specialists from Agriculture and Agri-Food Canada also determine an expected average wholesale price for the same period and a risk related to the marketing of the product taking into consideration factors such as production, demand, quality and price trends of the market.

A Review Committee determines the risks related to the marketing agency's capability to implement the marketing plan being proposed, and to the agricultural product to be guaranteed. The total price guarantee is then determined by applying a risk factor to the expected average wholesale price of an agricultural product for a given period. The determination of the level of the price guarantee is based on the agricultural products and the grades to be sold.

DISTRIBUTION OF AGRICULTURAL PRODUCTS 1998-1999 CROP YEAR



Note: For the 1998-1999 crop year, the guarantee offered to the participating marketing agencies was estimated at \$191 million.

Source: AAFC

WHAT DOES THE PRICE GUARANTEE COVER?

The price guarantee is composed of two elements: the **initial payment**, which is paid to the producer for agricultural products delivered to the pool; and the **marketing agency's costs**, which are incurred by the marketing agency for the storing, carrying, processing and selling the agricultural product under a cooperative plan.

The initial payments **made by the Marketing Agency** improves the cash flow position of producers at the time of delivery and allows for better returns through the marketing of their crops over an extended season. Examples of eligible marketing agency's costs are elevation, inspections, treating, interest, storage, transportation and administration costs. Examples of costs that are not eligible are any fixed costs, bad debts and amortization.

PRICE POOLING PROGRAM / AGRICULTURAL PRODUCTS COOPERATIVE MARKETING ACT: SUMMARY OF AGREEMENTS

| Crop Year | Number of Marketing Agencies | Number of Producers | Total Guarantee (\$000's) |
|-----------|------------------------------|---------------------|---------------------------|
| 1996-1997 | 4 | 21,222 | 183,979 |
| 1997-1998 | 5 | 21,050 | 160,520 |
| 1998-1999 | 5 | 20,650 | 191,494 |

Note: From 1992-1993 to 1998-1999, the Price Pooling Program and the former Agricultural Products Cooperative Marketing Act issued over \$1.5 billion in price guarantee agreements.

Source: AAFC

Both the initial payment and the marketing agency's costs are subject to a fixed maximum.

WHAT ARE THE OBLIGATIONS OF THE MARKETING AGENCY DURING THE CROP YEAR?

The Marketing Agency's responsibilities are outlined in the price guarantee agreement. In general, the principal obligations of the Marketing Agency are as follows:

- Ensure that the crop delivered is of marketable quality, graded and tested on delivery and adequately stored by the marketing agency so as to remain of marketable quality until sold;
- Keep the agricultural product in storage adequately insured;
- Pay to the producer for the agricultural product delivered to the Marketing Agency an initial payment in accordance with the price guarantee agreement;
- Ensure that the agricultural product delivered was produced by the producer receiving the initial payment;
- Market the agricultural product at the best possible price obtainable over a reasonable time frame in all markets;
- Pool the proceeds of the sale of the agricultural product;
- Submit monthly sales reports to Agriculture and Agri-Food Canada;
- Request approval of any payment to producers above the maximum initial payments specified in the price guarantee agreement (such as interim or final payments);

• Distribute equal returns to the producers for agricultural products of like grades, varieties and types; and

• Return to the producers the proceeds of the sale of all of the agricultural product produced and delivered during the period specified in the agreement, after deducting the initial payment, the marketing agency's costs and any reserves.

WHAT ARE THE RESPONSIBILITIES OF THE PRODUCER?

For those Producers who are members of eligible Marketing Agencies:

- Have their association apply for a price guarantee agreement;
- Grow high quality agricultural products - this will improve their possible returns;
- For Marketing Agencies with more than the Price Pooling Program as a marketing option, decide to deliver their agricultural products to the pool (respecting the guidelines that are set out by their Marketing Agencies);
- Deliver their agricultural products to the pool for marketing (the Marketing Agencies will have specified delivery points).

For those Producers who are not members of Marketing Agencies:

- In addition to the above mentioned responsibilities, producers must:
- Join an eligible Marketing Agency; or
 - Create an association of producers whose purpose is the marketing, under a cooperative plan, of agricultural products;
 - Have their association apply for a price guarantee agreement

For more information, please contact::

*National Marketing Programs -
Price Pooling Program
Market and Industry
Services Branch*

Ms. Francine Villeneuve
Program Manager
Telephone: (613) 759-6291
Fax: (613) 759-6315

Email: villeneuvef@em.agr.ca

Mr. Randy Bismonte
Program Officer
Telephone: (613) 759-6290
Fax: (613) 759-6315
Email: bismonte@em.agr.ca

Agriculture and Agri-Food Canada
2200 Walkley Rd
Ottawa, Ontario K1C 0C5

Price Pooling Program Website:
<http://www.agr.ca/misblnmp/pppl>

Other programs offered by the National Marketing Programs are:

Advance Payments Program (APP)

Farm Improvement and Marketing
Cooperatives Loans Act (FIMCLA)

*Information on these programs can be
found on our website at:
<http://www.agr.ca/misblnmp/>*

Market Analysis Division Website:

[http://www.agr.ca/policy/
winn/biweekly/index.htm](http://www.agr.ca/policy/winn/biweekly/index.htm)

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Agriculture and Agri-Food Canada.
500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

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AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Policy Branch - Market Analysis Division - Winnipeg, Manitoba
CANADIAN GRAINS AND OILSEEDS OUTLOOK FOR 1999-00 **January 7, 2000**

Production of grains and oilseeds in Canada is estimated by Statistics Canada (STC) at 66.2 million tonnes (Mt) in 1999-00 versus 62.1 Mt for 1998-99 and the 10-year average of 59.4 Mt. In Western Canada, good growing conditions resulted in record yields for canola and wheat. A large reduction in durum wheat production has been more than offset by an increase in spring wheat production. The wheat and durum quality is reported to be good, with about 70% of the bread wheat and durum crops in the top two grades. The protein content for all grades of Canada Western Red Spring wheat is lower than last year, but comparable to the ten year average. However, the protein content for most grades of durum is lower than both last year and the average. In Ontario and Quebec, yields for grain corn, winter wheat and soybeans were above average.

Exports of wheat, barley, canola and soybeans are forecast to increase, while exports of corn, oats and flaxseed are projected to decrease. The Canadian Wheat Board (CWB) plans to export 80 percent of its wheat, durum and barley by the end of May 31, 2000. As of Dec. 28, exports of these 3 crops totaled 7.2 Mt, about 25% higher than at the same date in 1998-99.

Prices for Canadian grains and oilseeds (except durum) are forecast to decline due to large supplies in the US and EU, weak world demand, high domestic subsidies in the US and high export subsidies in the EU. The major factors to watch are: the timing of US marketings of grains and oilseeds which have received Loan Deficiency Payments; the aggressiveness of EU export subsidies; import demand from China for oilseeds and vegetable oil; crop conditions in the southern hemisphere; and dryness in the US Plains states.

WHEAT (ex-durum)

Supplies have risen by 20% from 1998-99, due to higher production and carry-in stocks. Domestic feed use is forecast to rise slightly, due to the lower quality crop in parts of western Canada. Exports are forecast to recover by 36%, but remain below the 10-year average of 16 Mt. As of Dec. 12, 1999-00 wheat exports were 5.0 Mt, up 24% from the previous year. Carry-out stocks are projected to rise by 11%. The CWB Dec. 1999-00 Pool Return Outlook (PRO) for No.1 CWRS is down by \$2/t from Nov., at \$150-180/t I/S VC/SL, due to higher Canadian, Australian and Argentine production and US stocks estimates. The midpoint is \$19/t below the 1998-99 final realized price. The Ontario Wheat Producers' Marketing Board Jan. 1 EPR for No.1 CEWW is unchanged at \$105-115/t, vs. the 1998-99 final realized price of \$121/t.

DURUM

Supplies have declined by 9%, with the 30% decline in production partially offset by higher carry-in stocks. Exports are expected to rise slightly, due to increased import demand from North Africa and the EU. As of Dec. 12, 1999-00 durum exports were 1.4 Mt, up 16% from the same date in 1998-99. Carry-out stocks are forecast to fall by 33% to 1.3 Mt, vs. the 10-year average of 1.7 Mt. The CWB 1999-00 PRO for No.1 CWAD is \$192-222/t, unchanged from Nov. and with the midpoint \$6/t higher than the 1998-99 final realized price. The projected premium for No.1 CWAD over No.1 CWRS is \$42/t, compared to \$17/t for 1998-99.

BARLEY

Supplies have increased by 4% due to higher production and carry-in stocks. Domestic feed barley use is forecast to decrease slightly but remain strong. Feed barley exports are expected to increase, but remain low due to strong domestic demand. Malting barley exports are also expected to rise due to lower supplies in other exporting countries, and increased demand from the US and

China. Total barley exports to Dec. 12 were 0.47 Mt vs. 0.24 Mt in 1998-99. Carry-out stocks are expected to rise, which is expected to pressure off-Board feed barley prices. The Dec. CWB PRO for No.1 CW Feed Barley is down by \$5/t from Nov., at \$115-145/t, vs. the 1998-99 final realized price of \$147.50/t. The Dec. PRO for Special Select 2 Row Designated Barley is up by \$4/t from Nov., at \$178-198/t, vs. the 1998-99 final realized price of \$172.30/t.

OATS

Supplies have decreased slightly due to lower production. Canadian exports to the US are expected to fall due to lower total US imports in the June/May period. Oat exports to Dec. 28 are similar to last year at about 0.6 Mt. Carry-out stocks are expected to increase slightly. Oat prices are forecast to decrease from 1998-99 due to lower US corn prices and large Canadian supplies.

CORN

Supplies have risen by 1%, to 10.9 Mt, due to record production. Food and industrial use for starch and ethanol production is expected to continue to rise while feed use is forecast to drop slightly on lower hog inventories. Exports are expected to remain high, relative to the 1992-93 to 1997-98 period, with a large portion destined for offshore markets. Corn exports for Sept. and Oct. were 35,000 t, vs. 42,000 t in 1998-99. Canada is expected to be a small net importer of corn in 1999-00. Chatham corn prices are expected to be lower than in 1998-99, due to lower US corn prices, and record Canadian corn production.

CANOLA

Supplies increased by 17% from 1998-99, due to record production and higher carry-in stocks. Domestic crush is forecast to decline marginally from 1998-99. Exports are projected to rise by 10% due to stronger than expected demand from China. Exports to Dec. 28 are 2.0 Mt, vs 2.2 Mt a year ago.

Carry-out stocks are expected to increase sharply to 1.6 Mt. As the result of lower world vegetable oil prices and increased supplies of canola/rapeseed, the canola price (I/S Vancouver) is forecast to fall to \$295/t, from \$373/t in 1998-99.

FLAXSEED (excluding Solin)

Supplies are up by 8% from 1998-99 due to higher carry-in stocks and continued large production. Domestic use is forecast to decline due to lower Chinese linseed oil demand. Exports to-date are down by 49% from 1998-99, and are forecast to fall by 25% for 1999-00, due to lower EU imports related to the significant increase in production in the EU. Carry-out stocks are forecast to rise sharply. Flaxseed prices (I/S Thunder Bay) are forecast to fall to \$245/t from \$313/t in 1998-99, due to lower prices in the oilseed complex and higher supplies of flaxseed in Canada.

SOYBEANS

Supplies have increased by 7% from 1998-99 due to higher production and carry-in stocks. Domestic use to-date is almost 25% above 1998-99 levels due to strong crush margins and is forecast to be 15% higher for 1999-00. Exports are forecast to rise due to aggressive Identity Preserved marketing by Canadian exporters and strong niche market demand. Carry-out stocks are expected to be similar to 1998-99. Soybean prices (I/S Chatham) are forecast to decline from an average of \$266/t in 1998-99 to \$245/t due to lower US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains.....Fred Oleson, Chief 983-0807
E-mailolesonf@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mail.....beckmac@em.agr.ca

CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

January 7, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1998-1999 | 2,914 | 2.07 | 6,042 | 3 | 6,802 | 3,848 | 182 | 650 | 1,001 | 1,952 | 201 |
| 1999-2000p | 1,760 | 2.42 | 4,259 | 1 | 6,213 | 3,900 | 185 | 608 | 1,013 | 1,300 | 192-222* |
| 2000-2001f | 2,205 | 2.23 | 4,915 | 1 | 6,216 | 3,800 | 190 | 606 | 1,016 | 1,400 | 165-195 |
| Wheat Except Durum | | | | | | | | | | | |
| 1998-1999 | 7,764 | 2.32 | 18,034 | 77 | 23,363 | 10,783 | 2,691 | 3,549 | 7,078 | 5,413 | 184 |
| 1999-2000p | 8,603 | 2.63 | 22,591 | 25 | 28,028 | 14,800 | 2,665 | 3,668 | 7,228 | 6,000 | 150-180* |
| 2000-2001f | 8,725 | 2.37 | 20,670 | 25 | 26,695 | 14,200 | 2,680 | 3,400 | 6,995 | 5,500 | 145-175 |
| All Wheat | | | | | | | | | | | |
| 1998-1999 | 10,678 | 2.25 | 24,076 | 80 | 30,165 | 14,631 | 2,873 | 4,199 | 8,079 | 7,365 | |
| 1999-2000p | 10,364 | 2.59 | 26,850 | 26 | 34,241 | 18,700 | 2,850 | 4,276 | 8,241 | 7,300 | |
| 2000-2001f | 10,930 | 2.34 | 25,585 | 26 | 32,911 | 18,000 | 2,870 | 4,006 | 8,011 | 6,900 | |
| Barley | | | | | | | | | | | |
| 1998-1999 | 4,272 | 2.98 | 12,709 | 62 | 15,230 | 1,687 | 375 | 10,096 | 10,856 | 2,687 | 117 |
| 1999-2000p | 4,069 | 3.24 | 13,196 | 25 | 15,908 | 2,200 | 385 | 9,918 | 10,708 | 3,000 | 100-120 |
| 2000-2001f | 4,110 | 3.16 | 12,973 | 25 | 15,998 | 2,500 | 385 | 9,708 | 10,498 | 3,000 | 90-120 |
| Corn | | | | | | | | | | | |
| 1998-1999 | 1,118 | 8.01 | 8,952 | 893 | 10,737 | 830 | 1,795 | 7,222 | 9,048 | 860 | 110 |
| 1999-2000p | 1,141 | 7.97 | 9,096 | 900 | 10,856 | 800 | 2,000 | 7,126 | 9,156 | 900 | 95-115 |
| 2000-2001f | 1,135 | 7.34 | 8,330 | 1,000 | 10,230 | 300 | 2,000 | 7,000 | 9,030 | 900 | 85-125 |
| Oats | | | | | | | | | | | |
| 1998-1999 | 1,592 | 2.49 | 3,958 | 3 | 4,806 | 1,491 | 226 | 1,833 | 2,223 | 1,092 | 132 |
| 1999-2000p | 1,398 | 2.60 | 3,641 | 3 | 4,736 | 1,350 | 225 | 1,906 | 2,286 | 1,100 | 110-130 |
| 2000-2001f | 1,399 | 2.55 | 3,573 | 3 | 4,676 | 1,500 | 225 | 1,846 | 2,226 | 950 | 105-135 |
| Rye | | | | | | | | | | | |
| 1998-1999 | 204 | 1.96 | 398 | 0 | 462 | 80 | 57 | 140 | 218 | 164 | |
| 1999-2000p | 169 | 2.29 | 387 | 0 | 550 | 50 | 65 | 257 | 340 | 160 | |
| 2000-2001f | 139 | 2.17 | 302 | 0 | 462 | 50 | 65 | 204 | 287 | 125 | |
| Mixed Grains | | | | | | | | | | | |
| 1998-1999 | 198 | 2.77 | 548 | 0 | 548 | 0 | 0 | 548 | 548 | 0 | |
| 1999-2000p | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001f | 180 | 2.79 | 503 | 0 | 503 | 0 | 0 | 503 | 503 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1998-1999 | 7,384 | 3.60 | 26,565 | 958 | 31,783 | 4,088 | 2,453 | 19,839 | 22,892 | 4,803 | |
| 1999-2000p | 6,930 | 3.86 | 26,767 | 928 | 32,498 | 4,400 | 2,675 | 19,655 | 22,938 | 5,160 | |
| 2000-2001f | 6,963 | 3.69 | 25,680 | 1,028 | 31,868 | 4,350 | 2,675 | 19,260 | 22,543 | 4,975 | |
| Canola | | | | | | | | | | | |
| 1998-1999 | 5,421 | 1.41 | 7,640 | 157 | 8,161 | 3,900 | 3,063 | 544 | 3,650 | 611 | 373 |
| 1999-2000p | 5,564 | 1.58 | 8,798 | 100 | 9,509 | 4,300 | 3,000 | 565 | 3,609 | 1,600 | 275-315 |
| 2000-2001f | 5,245 | 1.45 | 7,620 | 100 | 9,320 | 4,100 | 3,200 | 580 | 3,820 | 1,400 | 265-305 |
| Flaxseed | | | | | | | | | | | |
| 1998-1999g | 874 | 1.24 | 1,081 | 5 | 1,127 | 719 | n/a | n/a | 246 | 162 | 313 |
| 1999-2000p | 793 | 1.32 | 1,049 | 4 | 1,215 | 540 | n/a | n/a | 175 | 500 | 225-265 |
| 2000-2001f | 613 | 1.36 | 835 | 5 | 1,340 | 600 | n/a | n/a | 190 | 550 | 215-255 |
| Soybeans | | | | | | | | | | | |
| 1998-1999 | 980 | 2.79 | 2,737 | 254 | 3,179 | 868 | 1,576 | 396 | 2,064 | 247 | 266 |
| 1999-2000p | 999 | 2.77 | 2,766 | 400 | 3,413 | 900 | 1,800 | 397 | 2,263 | 250 | 225-265 |
| 2000-2001f | 994 | 2.69 | 2,670 | 450 | 3,370 | 900 | 1,805 | 400 | 2,270 | 200 | 205-245 |
| Total Oilseeds | | | | | | | | | | | |
| 1998-1999 | 7,275 | 1.57 | 11,458 | 417 | 12,467 | 5,487 | 4,639 | 940 | 5,960 | 1,020 | |
| 1999-2000p | 7,357 | 1.71 | 12,613 | 504 | 14,137 | 5,740 | 4,800 | 962 | 6,047 | 2,350 | |
| 2000-2001f | 6,852 | 1.62 | 11,125 | 555 | 14,030 | 5,600 | 5,005 | 980 | 6,280 | 2,150 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1998-1999 | 25,336 | 2.45 | 62,099 | 1,455 | 74,415 | 24,206 | 9,965 | 24,977 | 36,931 | 13,187 | |
| 1999-2000p | 24,650 | 2.69 | 66,231 | 1,458 | 80,876 | 28,840 | 10,325 | 24,893 | 37,226 | 14,810 | |
| 2000-2001f | 24,744 | 2.52 | 62,390 | 1,609 | 78,810 | 27,950 | 10,550 | 24,246 | 36,834 | 14,025 | |

(a) Aug.-July crop year except corn and soybeans which are Sept. - Aug.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver), Barley (No.1 Feed, WCE cash I/S, Lethbridge), Corn (No.2 CE cash I/S, Chatham), Oats (No. 3 CW, WCE cash Track Minneapolis); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

(g) Includes Solin.

* CWB Pool Return Outlook, January 2000.

p - Preliminary estimates.

f - Agriculture and Agri-Food Canada forecast December 1999.

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Policy Branch - Market Analysis Division - Winnipeg, Manitoba

CANADA: SPECIAL CROPS SITUATION AND OUTLOOK January 7, 2000

For 1999-2000, total Canadian special crop production increased by 11% to a record 4.07 million tonnes (Mt), due to higher yields. Despite projected higher exports and domestic use, total carry-out stocks are forecast to increase and prices have, in general, decreased from 1998-1999. For 2000-2001, total Canadian area seeded to special crops is forecast to increase by about 10%, due mainly to higher seeded area for dry peas and lentils. Assuming trend yields, production is forecast to decrease slightly, but total supply is expected to increase marginally due to higher carry-in stocks. Exports are forecast to increase, but domestic use is expected to decrease slightly. Carry-out stocks are forecast to decrease marginally. Prices for peas and canary seed are forecast to increase slightly while prices for other crops remain similar-to or slightly below 1999-2000.

DRY PEAS

For 1999-2000, although production decreased, total supply increased marginally due to higher carry-in stocks. Exports are expected to remain stable, while domestic use increases. Carry-out stocks are forecast to increase slightly, with a stocks-to-use (s/u) ratio of 13%. The average price over all types, grades and markets is forecast to be similar to 1998-1999.

For 2000-2001, although production is forecast to decrease by 8% to 2.08 Mt, as a 10% increase in the seeded area is more than offset by lower trend yield, total supply is expected to decrease by 6%. Exports and domestic use are forecast to remain stable, due to the decreased supply. Carry-out stocks are forecast to decrease to a low level, with a s/u ratio of 7%. Food pea prices are expected to strengthen due to lower world supply. Feed pea prices are expected to increase only marginally, as the impact of lower supplies of dry peas and higher expected protein meal prices is partly offset by lower feed grain prices. The average price is forecast to rise by 5-10%.

LENTILS

For 1999-2000, production and supply both increased by about 50% with low carry-in stocks. Exports and domestic use are forecast to increase. Carry-out stocks are forecast to rise, with a s/u ratio of 15%. The larger supply and carry-out stocks are expected to be mostly offset by strong demand. The average price over all types and grades is forecast to decrease slightly. For 2000-2001, production is forecast to increase by 10% to 800,000 t, as a 20% increase in seeded area is partly offset by lower trend yields. Total supply is forecast to increase by 20% due to higher carry-in stocks. Exports are expected to increase with the increased Canadian supply. Carry-out stocks are forecast to increase, with a s/u ratio of 30%. The higher supply and carry-out stocks are expected to pressure prices downward, although this is expected to be partly offset by higher average quality. The average price is forecast to fall by 5-10%.

DRY BEANS

For 1999-2000, production increased by 54%, but because carry-in stocks were low, total supply increased by only 25%. Although exports and domestic use are forecast to increase, carry-out stocks are expected to rise, with a s/u ratio of 28%. Due to higher world production, the average

price over all types and grades is forecast to fall by about 15%.

For 2000-2001, production is forecast to remain stable at 290,000 t, as a 5% increase in seeded area is offset by lower trend yields. Total supply is expected to increase by about 10% due to higher carry-in stocks. Although exports and domestic use are forecast to increase, stocks are expected to rise, with a s/u ratio of 31%. Due to increased world supply, the average price is forecast to decrease by about 5%.

CHICK PEAS

For 1999-2000, production and total supply quadrupled, in line with increased harvested area. Exports and domestic use are forecast to increase with the larger supply. Carry-out stocks are forecast to increase, with a s/u ratio of 11%. The average price over both types and all sizes and grades is forecast to decrease by about 20%, due to lower average quality of the crop and some shift in production to the desi type.

For 2000-2001, production is forecast to decrease by about 5% due to slightly lower seeded area and lower trend yields. Assuming normal growing conditions, the average quality of the crop should improve. Total supply is forecast to be slightly higher due to increased carry-in stocks. Exports are forecast to increase by about 35% due to expected higher quality of the crop, but domestic use is forecast to drop due to reduced use for livestock feed. Carry-out stocks are forecast to increase, with a s/u ratio of 28%. Average price is forecast to decrease slightly, as lower prices for the top grades are offset by improved crop quality.

MUSTARD SEED

For 1999-2000, production and supply both increased by about 30%. Exports are forecast to increase by 15%, while domestic use is expected to rise slightly. Carry-out stocks are forecast to increase to a burdensome level, with a s/u ratio of 60%. The average price over all types and grades is forecast to fall by about 15%.

For 2000-2001, although production is forecast to decrease by 15% to 260,000 t, due to 5% decrease in seeded area and lower trend yields, total supply is forecast to increase slightly due to higher carry-in stocks. Exports are expected to grow by 5% while domestic use remains stable. Carry-out stocks are forecast to remain stable, but the s/u ratio is forecast to remain high at 58% and the average price is forecast to decrease slightly.

CANARY SEED

For 1999-2000, although production decreased by 30%, total supply decreased by only 7% due to higher carry-in stocks. Exports are forecast to increase by about 5%. Carry-out stocks are expected to decrease, but remain burdensome, with a s/u ratio of 50% and the average price is forecast to decrease slightly.

For 2000-2001, production is forecast to remain stable, in line with the stable seeded area and yields, but total supply is forecast to decrease by about 10% due to lower carry-in stocks. Exports and domestic use are expected to grow slightly. Carry-out stocks are forecast to decrease, with a s/u of 30% which will support prices about 5% higher than 1999-2000.

SUNFLOWER SEED

For 1999-2000, although production increased by 10% to 122,000 t, due to higher harvested area, total supply increased by 15% due to higher carry-in stocks. Exports and domestic use are expected to increase. Carry-out stocks are forecast to remain stable, with a s/u ratio of 28%. The average price over both types is forecast to decline by about 15%.

For 2000-2001, production is forecast to increase by about 5% due to a 10% higher seeded area, which is partly offset by lower trend yields. Some shift from oil type to confectionary type production is expected. Total supply is forecast to grow by 5%. Exports and domestic use are expected to increase leaving the carry-out stocks stable, but with a slightly lower stock-to-use ratio of 26%. The average price is forecast to decrease slightly.

BUCKWHEAT

For 1999-2000, production decreased and exports are forecast to remain stable while domestic use decreases slightly. The average price over all grades and markets is forecast to decrease slightly due to higher world production.

For 2000-2001, production is forecast to increase by about 20% due to higher seeded area and trend yields. Exports, domestic use and carry-out stocks are forecast to be similar to 1999-00. The average price is also forecast to be stable, in line with stable world production.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mail skrypetz@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mail olesonf@em.agr.ca
L/MAD/OUTLOOK/S&D/SpCrops/Jan2000/sce.wpd

CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS (c)

January 7, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use | Ending Stocks | Average Price (d) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|----------------|-----------------|----------------|-----------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1996-1997 | 520 | 2.25 | 1,169 | 8 | 1,397 | 855 | 462 | 80 | 209 |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,839 | 1,116 | 573 | 150 | 177 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,497 | 1,536 | 681 | 280 | 132 |
| 1999-2000p | 835 | 2.70 | 2,252 | 10 | 2,542 | 1,500 | 742 | 300 | 120-140 |
| 2000-2001f | 917 | 2.27 | 2,080 | 10 | 2,390 | 1,500 | 740 | 150 | 125-155 |
| Lentils | | | | | | | | | |
| 1996-1997 | 304 | 1.33 | 403 | 4 | 484 | 286 | 108 | 90 | 470 |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 473 | 349 | 109 | 15 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 502 | 372 | 120 | 10 | 381 |
| 1999-2000p | 497 | 1.46 | 724 | 3 | 737 | 495 | 147 | 95 | 355-385 |
| 2000-2001f | 594 | 1.35 | 800 | 0 | 895 | 545 | 145 | 205 | 325-365 |
| Dry Beans | | | | | | | | | |
| 1996-1997 | 84 | 1.58 | 133 | 26 | 179 | 124 | 45 | 10 | 605 |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000p | 153 | 1.90 | 291 | 25 | 341 | 205 | 60 | 75 | 545-575 |
| 2000-2001f | 160 | 1.81 | 290 | 15 | 380 | 225 | 65 | 90 | 515-555 |
| Chick Peas | | | | | | | | | |
| 1996-1997 | 3 | 1.33 | 4 | 4 | 8 | 1 | 7 | | n/a |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.32 | 50 | 2 | 53 | 14 | 34 | 5 | 493 |
| 1999-2000p | 139 | 1.42 | 197 | 0 | 202 | 80 | 102 | 20 | 385-415 |
| 2000-2001f | 137 | 1.35 | 185 | 0 | 205 | 110 | 50 | 45 | 375-415 |
| Mustard Seed | | | | | | | | | |
| 1996-1997 | 233 | .99 | 231 | 1 | 262 | 141 | 61 | 60 | 363 |
| 1997-1998 | 292 | .83 | 243 | 1 | 304 | 166 | 63 | 75 | 398 |
| 1998-1999 | 279 | .86 | 239 | 1 | 315 | 159 | 61 | 95 | 348 |
| 1999-2000p | 273 | 1.12 | 306 | 1 | 402 | 185 | 67 | 150 | 275-305 |
| 2000-2001f | 271 | .96 | 260 | 0 | 410 | 195 | 65 | 150 | 265-305 |
| Canary Seed | | | | | | | | | |
| 1996-1997 | 235 | 1.21 | 285 | 0 | 305 | 122 | 44 | 139 | 300 |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 254 | 134 | 47 | 73 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 308 | 137 | 51 | 120 | 248 |
| 1999-2000p | 146 | 1.14 | 166 | 0 | 286 | 145 | 46 | 95 | 230-250 |
| 2000-2001f | 147 | 1.12 | 165 | 0 | 260 | 150 | 50 | 60 | 235-265 |
| Sunflower Seed | | | | | | | | | |
| 1996-1997 | 35 | 1.57 | 55 | 12 | 91 | 24 | 43 | 24 | 345 |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 101 | 45 | 46 | 10 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 139 | 43 | 61 | 35 | 388 |
| 1999-2000p | 79 | 1.54 | 122 | 5 | 162 | 55 | 72 | 35 | 310-340 |
| 2000-2001f | 90 | 1.44 | 130 | 5 | 170 | 60 | 75 | 35 | 300-340 |
| Buckwheat | | | | | | | | | |
| 1996-1997 | 17 | 1.30 | 22 | 1 | 25 | 11 | 12 | 2 | 320 |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 9 | 9 | 1 | 315 |
| 1999-2000p | 13 | 1.00 | 13 | 3 | 17 | 9 | 8 | 1 | 300-320 |
| 2000-2001f | 14 | 1.14 | 16 | 1 | 18 | 9 | 8 | 1 | 295-325 |
| Total Special Crops | | | | | | | | | |
| 1996-1997 | 1,431 | 1.61 | 2,302 | 56 | 2,751 | 1,564 | 782 | 405 | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 53 | 3,201 | 1,949 | 912 | 340 | |
| 1998-1999 | 2,154 | 1.70 | 3,657 | 109 | 4,106 | 2,463 | 1,072 | 571 | |
| 1999-2000p | 2,135 | 1.91 | 4,071 | 47 | 4,689 | 2,674 | 1,244 | 771 | |
| 2000-2001f | 2,330 | 1.68 | 3,926 | 31 | 4,728 | 2,794 | 1,198 | 736 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

Source: Statistics Canada and industry consultations.

p - Preliminary estimates.

f - Agriculture and Agri-Food Canada forecast, January 7, 2000.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday January 3, 2000

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | GLUTEN FEED | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-------------|--------------|--------------|
| Vancouver B.C. | This week | FOB | (1) 132.66 | N/A | 130.16 | (3) 145.00 | | 270.75 | 181.50 | 109.00 | 310.00 | (4) 600.00 | 420.00 | | | | 360.00 |
| | Week ago | | (1) 132.66 | N/A | 130.16 | (3) 148.00 | | 267.25 | 179.50 | 109.00 | 310.00 | (4) 600.00 | 420.00 | | | | 360.00 |
| Calgary Alta | This week | FOB | (1) 109.50 | 100.00 | 107.00 | (3) 133.00 | | 264.50 | 168.00 | | 260.00 | (4) 650.00 | 540.00 | | | | 355.00 |
| | Week ago | | (1) 109.50 | 100.00 | 107.00 | (3) 134.00 | | 261.00 | 160.00 | | 260.00 | (4) 650.00 | 540.00 | | | | 355.00 |
| Saskatoon Sask. | This week | FOB | (1) 100.00 | 93.00 | 88.50 | (3) 115.00 | | 254.00 | 158.00 | | 260.00 | (4) N/A | 540.00 | | | | 385.00 |
| | Week ago | | (1) 100.00 | 93.00 | 88.50 | (3) 117.00 | | 250.00 | 158.00 | | 260.00 | (4) N/A | 540.00 | | | | 385.00 |
| Melfort Sask. | This week | FOB | (1) 108.50 | 113.00 | 94.90 | | | | | | | | | | | | |
| | Week ago | | (1) 109.30 | 112.00 | 94.40 | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | (1) 98.55 | 99.98 | 90.63 | (3) 111.00 | | 236.50 | 158.00 | | 260.00 | (4) 850.00 | 430.00 | | | | 320.00 |
| | Week ago | | (1) 98.55 | 99.98 | 90.63 | (3) 111.00 | | 233.00 | 158.00 | | 260.00 | (4) 875.00 | 430.00 | | | | 320.00 |
| Thunder Bay Ont. | This week | Track | (1) 121.50 | 137.50 | 110.90 | | | | | | | | | | | | |
| | Week ago | | (1) 122.30 | 136.50 | 108.40 | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | (3) 113.36 | | | | | | | | | | | |
| | Week ago | Vessel | | | | (3) 114.88 | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | (1) 140.25 | 149.00 | 125.40 | | | | | | | | | | | | |
| | Week ago | | (1) 141.05 | 149.00 | 125.40 | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | (2) 112.00 | | | | | | | | | | | |
| | Week ago | | | | | (2) 112.10 | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | 259.00 | (5) N/A | 500.00 | 425.00 | 123.00 | 200.00 | 320.00 |
| | Week ago | | | | | | FOB | 245.59 | 171.74 | | 259.00 | (5) N/A | 500.00 | 425.00 | 123.00 | 200.00 | 320.00 |
| Hamilton Ont. | This week | N/A | | | | | | 249.23 | 169.86 | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | (2) 109.06 | | | | | | | | | | | |
| | Week ago | | | | | (2) 109.11 | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | 80.00 | | | | 415.00 | 115.00 | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | 82.50 | | | | 415.00 | 115.00 | | |
| | Week ago | | | | | | | | | | | | | 415.00 | 115.00 | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | 415.00 | 115.00 | | |
| | Week ago | | | | | | | | | | | | | 415.00 | 115.00 | | |
| Montreal Que. | This week | | | | | | FOB | 270.09 | 183.09 | 110.50 | 259.00 | (5) 760.00 | 375.00 | 425.00 | 125.00 | 190.00 | 370.00 |
| | Week ago | | | | | | | 270.35 | 182.21 | 113.50 | 259.00 | (5) 760.00 | 375.00 | 425.00 | 125.00 | 190.00 | 370.00 |
| Trois-Riv. Que. | This week | In-store | (1) 145.50 | | 136.40 | (2) 134.84 | | | | | | | | | | | |
| | Week ago | | (1) 146.30 | | 136.40 | (2) 134.93 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | (1) 144.13 | 121.50 | 129.30 | (2) 129.42 | | | | | | | | | | | |
| | Week ago | | (1) 143.48 | 121.50 | 129.05 | (2) 124.70 | | | | | | | | | | | |
| St-Hyacinthe, Que. | This week | In-store | (1) 146.33 | | 133.73 | (2) 134.31 | FOB | 273.81 | | | | | | | | | |
| | Week ago | | (1) 146.80 | | 133.73 | (2) 133.75 | | 274.95 | | | | | | | | | |
| Quebec Que. | This week | Track | (1) 170.43 | 195.60 | 160.10 | (2) 160.69 | FOB | 303.64 | 192.93 | | 293.50 | | 493.00 | | | | 377.05 |
| | Week ago | | (1) 171.23 | 195.60 | 160.20 | (2) 160.44 | | 303.72 | 194.68 | | 293.50 | | 493.00 | | | | 377.05 |
| Truro N.S. | This week | Water | (1) 166.15 | N/A | N/A | 156.85 | | | | | | | | | | | |
| | Week ago | | (1) 166.25 | N/A | N/A | 156.75 | | | | | | | | | | | |
| N.S. | This week | & Truck | (1) 154.00 | N/A | N/A | 144.25 | FOB | | | 255.25 | | | | | | | |
| | Week ago | In-store | (1) 154.10 | N/A | N/A | 144.15 | | | | 255.25 | | | | | | | |
| Halifax N.S. | This week | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section;

Contact: Helene Menard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.4433 as of December 31, 1999

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat. No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal

| B. CASH PRICES AND REPLACEMENT VALUES | | | As of Monday January 3, 2000 | | | | | |
|---------------------------------------|---------------------|--------------------------|------------------------------|-----------|----------|----|-----------|----------|
| PRAIRIE GRAINS | | | | | | | | |
| SELECTED POINT | | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: | Thunder Bay | Track | WHEAT | 121.50 | 122.30 | | 120.50 | 146.70 |
| | | | OATS | 137.50 | 136.50 | | 139.50 | N/A |
| | | | BARLEY | 110.90 | 108.40 | | 108.60 | 120.20 |
| To: | Bayports, Ont. | In-store | WHEAT | 143.06 | 143.86 | 1. | 142.06 | 168.26 |
| | | | OATS | 166.61 | 165.61 | 1. | 168.61 | N/A |
| | | | BARLEY | 137.65 | 135.15 | 1. | 135.35 | 146.95 |
| | Montreal, Que. | In-store | WHEAT | 148.13 | 148.93 | 1. | 147.13 | 173.33 |
| | | | OATS | 175.76 | 174.76 | 1. | 177.76 | N/A |
| | | | BARLEY | 142.70 | 140.20 | 1. | 140.40 | 152.00 |
| | Moncton, N.B | Truck via Halifax | WHEAT | 169.38 | 170.18 | | 168.38 | 194.58 |
| | | | OATS | 200.02 | 199.02 | | 202.02 | N/A |
| | | | BARLEY | 164.23 | 161.73 | | 161.93 | 173.53 |
| | Truro, N.S. | Truck via Halifax | WHEAT | 166.88 | 167.68 | | 165.88 | 192.08 |
| | | | OATS | 197.52 | 196.52 | | 199.52 | N/A |
| | | | BARLEY | 161.73 | 159.23 | | 159.43 | 171.03 |
| | Halifax, N.S. | In-store | WHEAT | 156.69 | 157.49 | 1. | 155.69 | 181.89 |
| | | | OATS | 185.58 | 184.58 | 1. | 187.58 | N/A |
| | | | BARLEY | 150.74 | 148.24 | 1. | 148.44 | 160.04 |
| | Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 216.43 | 217.23 | | 215.43 | 241.63 |
| | | | OATS | 243.15 | 242.15 | | 245.15 | N/A |
| | | | BARLEY | 213.57 | 211.07 | | 211.27 | 222.87 |
| From: | Melfort, Sask. | FOB | WHEAT | 108.50 | 109.30 | | 108.50 | 133.10 |
| | | | OATS | 113.00 | 112.00 | | 115.00 | 112.90 |
| | | | BARLEY | 94.90 | 94.40 | | 97.60 | 108.90 |
| To: | Bayports, Ont. | Track | WHEAT | 164.60 | 165.40 | | 164.60 | 189.20 |
| | | | OATS | 178.37 | 177.37 | | 180.37 | 178.27 |
| | | | BARLEY | 151.70 | 151.20 | | 154.40 | 165.70 |
| | Montreal, Que. | Track | WHEAT | 165.36 | 166.16 | | 165.36 | 189.96 |
| | | | OATS | 179.27 | 178.27 | | 181.27 | 179.17 |
| | | | BARLEY | 152.52 | 152.02 | | 155.22 | 166.52 |
| | Moncton, N.B. | Track | WHEAT | 186.53 | 187.33 | | 186.53 | 211.13 |
| | | | OATS | 202.34 | 201.34 | | 204.34 | 202.24 |
| | | | BARLEY | 174.08 | 173.58 | | 176.78 | 188.08 |
| | Truro, N.S. | Track | WHEAT | 186.70 | 187.50 | | 186.70 | 211.30 |
| | | | OATS | 205.78 | 204.78 | | 207.78 | 205.68 |
| | | | BARLEY | 175.09 | 174.59 | | 177.79 | 189.09 |
| | Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 230.03 | 230.83 | | 230.03 | 254.63 |
| | | | OATS | 250.69 | 249.69 | | 252.69 | 250.59 |
| | | | BARLEY | 223.39 | 222.89 | | 226.09 | 237.39 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|-----------|----------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 113.36 | 114.88 | 114.42 | 127.43 |
| To: Montreal, Que. (US Corn) | In-store | | 131.36 | 132.88 | 1. 132.42 | 145.43 |
| From: Saginaw (Mi) | Track | | 108.81 | 110.83 | 110.93 | 120.81 |
| To: Montreal, Que. (US Corn) | Track | | 141.11 | 143.13 | 143.23 | 153.11 |
| From: Chatham | Track | | 112.00 | 112.10 | 113.18 | 115.94 |
| To: Montreal, Que. | Track | | 136.55 | 136.65 | 137.73 | 140.49 |

| | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--------|--------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | |
| From: Hamilton, Ont. | | | 245.59 | 249.23 | 260.69 | 255.84 |
| To: Montreal, Que. | Track | | 269.26 | 272.90 | 284.36 | 279.51 |
| Moncton, N.B. | Track | | 286.61 | 290.25 | 301.71 | 296.86 |
| Truro, N.S. | Track | | 289.75 | 293.39 | 304.85 | 300.00 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 337.05 | 340.69 | 352.15 | 347.30 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

January 21, 2000

Vol. 13 No. 2

SUNFLOWER SEED: SITUATION AND OUTLOOK

Canada accounts for about 5 percent of world confectionary sunflower seed production although it is a very small player in the world sunflower seed market. Production and value-added processing increased significantly during 1998-1999 and are expected to continue growing in 1999-2000 and the longer term, especially in the confectionary segment of the market. This is expected to continue to increase job creation in Western Canada. In addition, processing of oilseed type sunflower seeds for the bird seed industry has been expanding. Sunflower seed prices are expected to remain attractive, relative to competing crops, with the 2000-2001 average price expected to be similar to, or slightly lower than 1999-2000. Over the longer term, the increased focus on sunflowers in the US which are low in saturated fat and high in monounsaturated fat, NuSun, is expected to provide increased competition for canola oil in the US domestic vegetable oil market.

BACKGROUND

Sunflower is native to North America where it was used in dyes, food preparation and medicines. It then spread throughout the world and developed as an oilseed crop in Russia during the late 1800s. Currently, there are basically two types of sunflower seed produced, oil and confectionary. Canadian production started during World War II as a domestic alternative to imported vegetable oil.

Sunflower grows best on loam, silty loam, and silty clay loam soils with good drainage. It has a low tolerance for saline conditions, therefore soils with moderate to high levels of salinity should be avoided. Sunflower has a deep tap root that can obtain water and nutrients 1.5-1.8 metres (5-6 feet) deep in the soil. These reserves of water and nutrients are unavailable to most other annual crops, making sunflower a good rotational crop. It should be seeded as early as possible, usually in the first half of May, since it requires 115-125 days to reach maturity.

Shorter season varieties have been developed for areas where the traditional hybrids cannot be grown. They have the further advantage of being able to be sown and harvested with the same equipment as cereal grains or canola, whereas the traditional hybrids require specialized equipment. **Sunola** is a miniature, open pollinated sunflower developed at the Agriculture and Agri-Food Canada (AAFC) Research Centre at Saskatoon. It requires 99-103 days to

maturity. The oil content is equal to the best sunflower hybrids. **Sunwheat** is a dwarf hybrid sunflower and requires 100-110 days to maturity. Its oil content is slightly lower than Sunola. It is more suited to the arid areas and able to withstand periods of summer heat better than some other crops. Both Sunola and Sunwheat have lower yields than traditional hybrids. **NuSun** is a mid-oleic (monounsaturated fatty acid) sunflower, developed by USDA which has a low saturated fat profile. There are **no Genetically Modified (GM)** sunflower varieties and no plans to develop them.

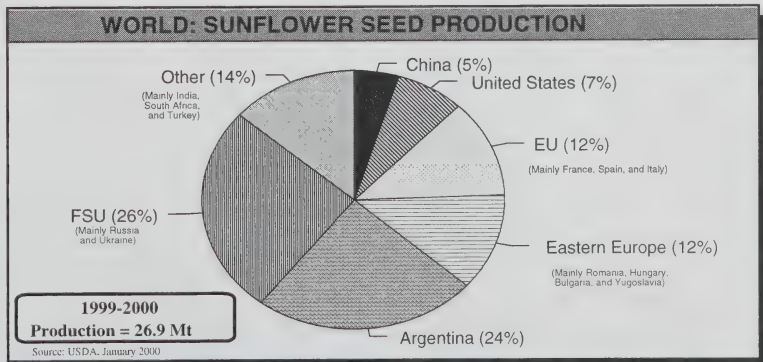
WORLD

Production

World sunflower seed production has increased from an average of 23.5 million tonnes (Mt) in the mid 1990s to 26.9 Mt estimated by the USDA for 1999-2000. Growth in production occurred in all regions during this period, except for China and the

EU. Production in China has been fairly stable. In the EU, production has been trending downward, as alternative crops became more attractive under the Common Agricultural Policy reforms. Production in Argentina increased steadily until 1998-1999, but decreased in 1999-2000. Major growth occurred in India, Russia, Ukraine, South Africa, Romania and the US. About 95 percent of world production is the oilseed type and only 5 percent the confectionary type. Carry-out stocks have been low with a stock-to-use ratio of 4 percent.

The US is the largest producer of confectionary type sunflower seeds at about 0.38 Mt or 30 percent of world production. North Dakota produces about 45 percent of total US production, with other central and northern plains states accounting for most of the balance. In 1998-1999, about 85 percent of the US production was the oil type, but it



Agriculture and Agri-Food Canada
Agriculture et Agroalimentaire Canada

Canada

SUNFLOWER SEED: CANADA & US PRODUCTION BY TYPE OF SEED

| | 1998 | 1999 | 2000 |
|--------------------------|-------|--------|--------|
| | -1999 | -2000e | -2001f |
| thousand tonnes.... | | | |
| Oilseed | | | |
| United States | 2,035 | 1,587 | 1,650 |
| Canada | 56 | 55 | 55 |
| Confectionary | | | |
| United States | 356 | 383 | 450 |
| Canada | 56 | 67 | 75 |

Crop year:

US: September-August,

Canada: August-July

e: estimate, US=USDA; Canada=AAFC, Jan. 2000

f: forecast, AAFC, Jan. 2000

Source: USDA and AAFC

decreased to about 80 percent in 1999-2000, as oilseed type production decreased by 22 percent and confectionary type production increased by 7 percent.

Utilization

The majority of the oil type sunflower seeds are crushed after the hull is removed. The hull represents about 15 percent of the sunflower seed weight. Dehulled seed yields 45-50 percent oil and 50-55 percent meal. World sunflower crush has increased in line with production. The oil is used for frying or to produce salad dressing, shortening and margarine. The mid and high oleic hybrids produce oil for specialized markets. The meal is used as a protein supplement in livestock feed and usually contains about 35 percent protein. The hulls are used mostly for livestock bedding, with some

use as a source of fibre for cattle feed. In addition, the use of the oilseed type seed by the bird seed industry is a growing.

Confectionary type sunflower seeds are used in the snack food industry as roasted sunflower seeds, and dehulled for use in snack food and baking. Sunflower seeds are high in protein, calcium, phosphorous, iron, potassium, and vitamin E. The sunflower snacks are usually lightly coated in salt or spices. Some confectionary sunflower seeds are also used for bird seed. Occasionally some damaged sunflower seeds are used for cattle feed.

Trade

Trade in sunflower seed oil is expected to increase slightly to about 3.8 Mt in 1999-2000, representing about 40 percent of total world production. Argentina accounts for nearly half of the

exports. The EU is the largest importer. Other major importers are Russia, India, Egypt, Iran, Algeria and Venezuela. A larger portion of the meal is used in the countries where it is produced compared to oil, with about 30 percent of the production exported. Argentina accounts for about 60 percent of the exports, with the EU being the main importer.

Sunflower seed exports have also been increasing in line with increased production and account for about 15 percent of production. The main exporting countries are Russia, Ukraine, Argentina and the US, with most of the exports going to the EU. US is the main exporter of confectionary sunflower seeds, with the EU, China and Mexico the main destinations.

CANADA

Production

Canadian sunflower seed production has been highly variable during the 1990s, reaching a high of 134,000 t in 1991-1992 and a low of 55,000 t in 1996-1997. The decrease was caused by a combination of disease and insect problems, some cool summers and low prices compared to alternative crops. Production increased sharply to 112,000 t in 1998-1999, as sunflower seed prices strengthened and prices of most alternative crops weakened. There was a further increase in production to 122,000 t in 1999-2000. Production of confectionary sunflower seeds has been increasing relative to oilseed varieties in recent years due to increased processing activity and marketing opportunities on the prairies, and a price premium over the oilseed type. Manitoba accounted for about 68 percent of the production in 1999-2000, followed by Saskatchewan at 29 percent, Alberta at 2.5 percent and Ontario at 0.5 percent. The main producing areas are south-central Manitoba, followed by south-western Manitoba and south-eastern Saskatchewan.

Marketing

Sunflower seed is sold on the open market to dealers located mostly in Manitoba. Sunflower seed is shipped bulk in trucks or rail cars. Some sunflower seed, especially the confectionary type, is grown under production contracts which guarantee a price for part of the production.

Market development activities are led by the Canadian Special Crops Association, an industry organization representing traders, exporters and processors. The Canadian Grain Commission administers

SUNFLOWER: WORLD SUPPLY & DISPOSITION

| | 1997 | 1998 | 1999 | 2000 |
|---|--------------|--------------|--------------|--------------|
| | -1998 | -1999 | -2000 | -2000f |
|million tonnes..... | | | | |
| SUNFLOWER SEED | | | | |
| Carry-in stocks | 1.21 | 0.98 | 1.18 | 0.97 |
| Production | <u>23.29</u> | <u>25.88</u> | <u>26.86</u> | <u>26.50</u> |
| Total supply | 24.50 | 26.86 | 28.04 | 27.47 |
| Crush | 20.92 | 22.83 | 24.43 | 24.00 |
| Other use (food, feed, waste and dockage) | <u>2.60</u> | <u>2.85</u> | <u>2.64</u> | <u>2.67</u> |
| Total Use | 23.52 | 25.68 | 27.07 | 26.67 |
| Carry-out stocks | 0.98 | 1.18 | 0.97 | 0.80 |
| Trade * | 3.87 | 4.46 | 4.51 | 4.50 |
| SUNFLOWER MEAL | | | | |
| Carry-in stocks | 0.31 | 0.28 | 0.26 | 0.27 |
| Production | <u>9.56</u> | <u>10.41</u> | <u>11.11</u> | <u>10.85</u> |
| Total supply | 9.87 | 10.71 | 11.37 | 11.12 |
| Use ** | 9.52 | 10.39 | 10.97 | 10.90 |
| Carry-out stocks | 0.28 | 0.26 | 0.27 | 0.22 |
| Trade | 3.12 | 3.37 | 3.51 | 3.40 |
| SUNFLOWER OIL | | | | |
| Carry-in stocks | 0.76 | 0.59 | 0.60 | 0.64 |
| Production | <u>8.33</u> | <u>9.11</u> | <u>9.68</u> | <u>9.45</u> |
| Total supply | 9.09 | 9.70 | 10.28 | 10.09 |
| Use ** | 8.36 | 9.03 | 9.55 | 9.50 |
| Carry-out stocks | 0.59 | 0.60 | 0.64 | 0.59 |
| Trade | 3.57 | 3.79 | 3.80 | 3.80 |

* Major exporters: Russia, Ukraine, France, Argentina and US.
Major importers: Belgium, France, Germany, Italy, Spain, Netherlands, Portugal, and Turkey.

** Totals may not add due to rounding

f: forecast, AAFC, January 2000

Source: USDA, January 2000

NuSun

Area seeded to NuSun hybrids in the US has increased from 40,000 hectares in 1998 to 180,000 hectares in 1999, about 15 percent of the total oilseed sunflower seeded area of 1.1 million hectares (mln ha). Yields are comparable to traditional hybrids. There are no confectionary type NuSun hybrids.

The oleic acid content of NuSun oil is in the 65 percent range compared to traditional sunflower oil at 16 percent, canola oil at 61 percent and soybean oil at 23 percent. Oil produced from NuSun hybrids has less saturated fatty acids than traditional hybrids. The 72 percent linoleic acid content of traditional hybrids has been reduced to 26 percent, which means that hydrogenation, bubbling hydrogen into the oil, is not necessary for NuSun hybrids. Since there is no hydrogenation, there is no formation of trans fatty acids, which some nutritionists consider unhealthy. The high oleic acid and low saturated fat profile is believed to lower cholesterol and the risk of coronary heart disease.

USDA scientists have also developed plants with low levels of palmitic acid and others with low stearic acid levels. By crossing these plants with established breeding lines, they have produced oil with a palmitic-stearic range of 6-9 percent compared to 11-12 percent in traditional hybrids.

There are several advantages to NuSun oil. First, the costs of hydrogenation are avoided since it holds up longer in frying vats without flavour deterioration. Second, processing costs are lower since it is not necessary to replace the oil as frequently during frying as with other vegetable oils. Finally, at frying temperatures, NuSun oil produces more flavour-stable snack food.

The producers of NuSun receive a US\$11/t (Cdn\$16/t) premium over traditional oilseed hybrids.

For 2000-2001, area to NuSun in the US is expected to nearly triple to about 500,000 hectares, and represent about 45 percent of US oilseed type production. For Canada, three NuSun hybrids are expected to be registered in time for seeding in 2000. The area seeded is expected to be small for the first year as seed supply is expected to be limited and the Canadian oilseed type sunflowers are used mainly for bird seed, for which NuSun does not have an advantage. The expected premium of \$16/t is not high enough to attract additional seeded area for the oilseed type. Therefore the NuSun seeded area is expected to expand at the expense of traditional hybrids area.

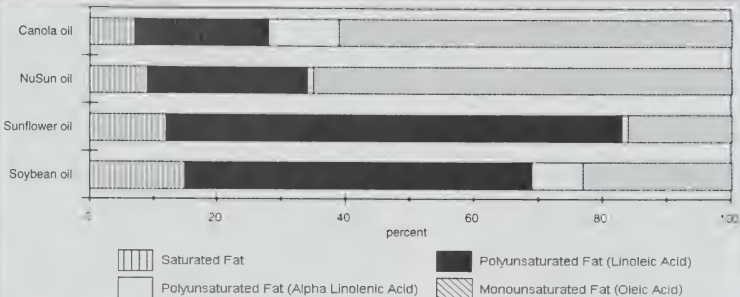
Over the longer term, in the US, the snack food market, the fast food industry, and the salad/home use market can absorb NuSun production from about 1.6 mln ha each. To supply all three markets, the seeded area would have to more than quadruple. However, a doubling of the seeded area over the longer term is more realistic, with NuSun gradually replacing the traditional oilseed hybrids.

The oil from NuSun is currently replacing mainly cotton seed oil, but as production increases, it will start replacing oil from traditional sunflower hybrids, soybeans, canola and other vegetable oils. The US Food and Drug Administration has proposed labelling regulations that would require food manufacturers to list the amount of trans fatty acids. The labelling regulation will probably be in place sometime between 2002 and 2004. This would give NuSun oil an advantage in the vegetable oil markets. Currently most sunflower oil produced in the US is exported, mainly to Europe, whereas the NuSun oil is expected to be used largely in the US. To satisfy the demand for NuSun hybrids, seed companies have switched their research focus from traditional hybrids to NuSun hybrids.

Canadian NuSun production should also increase in the future, although at a slower pace, due mainly to a limited area suitable for producing NuSun hybrids and the lack of a crushing plant. However over the longer term, the area seeded to oilseed sunflowers could double or even triple with the expansion of the NuSun area, and the crushing of sunflower seeds could resume in Canada.

Growth in NuSun production is expected to be limited to the US and, to a lesser extent, Canada, over the medium-term, due mainly to limited seed supply. However, the hybrids are being developed mainly by multinational seed companies and, over the longer term, NuSun production is expected to spread to other countries. Some of the countries in the EU have the most potential for expansion in production of NuSun varieties. In the EU, sunflower oil is already used extensively and any oil which is regarded as 'healthy' has an advantage in the market place. An additional advantage for NuSun in the EU is that there are no GM varieties.

COMPARISON OF DIETARY FATS



Source: POS Pilot Plant Corporation, except USDA for NuSun

quality standards for sunflower seed. The National Sunflower Association of Canada represents the industry in Canada for producers, processors and exporters.

Domestic Use

Canadian domestic use, which includes food, feed, seed, dockage and waste accounts for about 60 percent of production. Since 1995, sunflower seeds have not been crushed in Canada, but the lower crush use has been replaced by increased processing of confectionary sunflowers and increased use for bird seed. The markets for in-shell snack food, dehulled snack food, baking and bird seed have increased significantly. About 75 percent of the oilseed type sunflower seeds are used by the bird seed industry, as are about 20 percent of the confectionary type.

Exports

About 60 percent of Canadian sunflower seed exports are to the US, with the balance going mostly to Europe and Latin America. Most of the exports to the US are going to oilseed crushing plants. Exports to other parts of the world are for confectionary and bird seed use. In addition to the seed, prepackaged snack food, dehulled sunflower seeds and bird seed are also exported.

Prices

In general, Canadian sunflower seed prices follow US prices adjusted by

exchange rates. Oilseed sunflower prices are affected by the supply and demand factors for vegetable oil and protein meal. The prices received by the producer are generally related to the percentage of oil in the seed. Confectionary sunflower seed prices are generally priced at a premium, to oilseed sunflower prices, which depends on supply and demand conditions in the confectionary market. The premium averaged \$95 per tonne (t) in 1997-1998, \$200/t in 1998-1999 and has averaged \$160/t to-date for 1999-2000.

The average price, weighted by a 50/50 split for oilseed/confectionary varieties, peaked at \$388/t in 1998-1999 and is forecast to decrease by about 15 percent in 1999-2000. Prices of oilseed sunflowers can be hedged indirectly against soybean or canola futures prices, but confectionary prices are negotiated directly between the producer, dealer and customer. The prices negotiated could be for immediate or future delivery. Bird seed sunflower prices follow the prices of the oilseed or confectionary sunflower seed, depending on which ones are bought.

OUTLOOK: 2000-2001

World

Total world sunflower seed production is expected to decline marginally to about 26.5 Mt mainly due to decreased production in the Ukraine, where some shifting out of sunflower seeds into canola is expected. However world confectionary seed

production is expected to increase slightly due to increasing demand for snack food. US oilseed production is forecast to increase slightly, and confectionary seed production is expected to increase by about 15 percent. In the EU, additional shifting out of sunflower seed production is expected as a result of the Agenda 2000 reforms. Production in Argentina is expected to remain stable. The decreased production, combined with decreased carry-in stocks, is expected to decrease use and carry-out stocks. Decreased crush will result in a decreased supply of oil and meal, with lower use and carry-out stocks of these products.

Canada

Canadian sunflower production is forecast to increase by about 5 percent to 130,000 t due to a 10 percent higher seeded area, which is expected to be partly offset by lower trend yields. Oilseed type production is forecast to remain stable at about 55,000 t while confectionary type production increases by about 10 percent to 75,000 t. Total supply is forecast to grow by about 5 percent to 175,000 t. Exports are expected to remain stable and domestic use is expected to increase by 10 percent to 80,000 t. Therefore carry-out stocks are forecast to remain stable at about 35,000 t, but with a slightly lower stocks-to-use ratio of 25 percent. The average price, over both types, is forecast to be similar to, or slightly lower than 1999-2000.

For more information, please contact:

Stan Skrypetz
Special Crops Analyst
Phone: (204) 983-8972
E-mail: skrypetzs@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

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Market Analysis Division,
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Agriculture and Agri-Food Canada.
500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

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CANADA: SUNFLOWER SEED SUPPLY AND DISPOSITION

| August-July crop year | 1996 -1997 | 1997 -1998 | 1998 -1999 | 1999 -2000f | 2000 -2001f |
|--------------------------------|---------------|---------------|---------------|-----------------|-----------------|
| Harvested Area (000 ha) | 35 | 51 | 69 | 79 | 90 |
| Yield (t/ha) | 1.57 | 1.29 | 1.62 | 1.54 | 1.44 |
| thousand tonnes..... | | | | | |
| Carry-in stocks | 24 | 24 | 10 | 35 | 35 |
| Production | 55 | 65 | 112 | 122 | 130 |
| Imports | 12 | 12 | 17 | 10 | 10 |
| Total Supply | 91 | 101 | 139 | 167 | 175 |
| Exports | 24 | 45 | 43 | 60 | 60 |
| Total Domestic Use | 43 | 46 | 61 | 72 | 80 |
| Carry-out Stocks | 24 | 10 | 35 | 35 | 35 |
| Stocks-to-Use-Ratio (%) | 36 | 11 | 34 | 27 | 25 |
| Average producer price (\$/t) | 345 | 344 | 388 | 310-340 | 300-340 |
| Harvested Area (000 ac) | 86 | 126 | 170 | 195 | 222 |
| Yield (lbs/ac) | 1,401 | 1,151 | 1,445 | 1,374 | 1,285 |
| Production (million lbs) | 121 | 143 | 247 | 269 | 287 |
| Average producer price (\$/lb) | 0.16 | 0.16 | 0.18 | 0.140 -0.155 | 0.135 -0.155 |

f: Agriculture and Agri-Food Canada forecast, January 2000

Source: Statistics Canada and Agriculture and Agri-Food Canada

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday January 17, 2000

| PRAIRIE GRAINS | | | | | | | |
|----------------------|--------------------------|--------|-----------|----------|----|-----------|----------|
| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay | Track | WHEAT | 127.50 | 125.20 | | 119.80 | 142.60 |
| | | OATS | 135.00 | 135.00 | | 135.00 | N/A |
| | | BARLEY | 109.90 | 108.50 | | 108.00 | 118.40 |
| To: Bayports, Ont. | In-store | WHEAT | 149.06 | 146.76 | 1. | 141.36 | 166.46 |
| | | OATS | 164.11 | 164.11 | 1. | 164.11 | N/A |
| | | BARLEY | 136.65 | 135.25 | 1. | 134.75 | 147.70 |
| Montreal, Que. | In-store | WHEAT | 154.13 | 151.83 | 1. | 146.43 | 170.67 |
| | | OATS | 173.26 | 173.26 | 1. | 173.26 | N/A |
| | | BARLEY | 141.70 | 140.30 | 1. | 139.80 | 152.95 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 175.38 | 173.08 | | 167.68 | 190.48 |
| | | OATS | 197.52 | 197.52 | | 197.52 | N/A |
| | | BARLEY | 163.23 | 161.83 | | 161.33 | 171.73 |
| Truro, N.S. | Truck via Halifax | WHEAT | 172.88 | 170.58 | | 165.18 | 187.98 |
| | | OATS | 195.02 | 195.02 | | 195.02 | N/A |
| | | BARLEY | 160.73 | 159.33 | | 158.83 | 169.23 |
| Halifax, N.S. | In-store | WHEAT | 162.69 | 160.39 | 1. | 154.99 | 180.24 |
| | | OATS | 183.08 | 183.08 | 1. | 183.08 | N/A |
| | | BARLEY | 149.74 | 148.34 | 1. | 147.84 | 160.92 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 222.43 | 220.13 | | 214.73 | 237.53 |
| | | OATS | 240.65 | 240.65 | | 240.65 | N/A |
| | | BARLEY | 212.57 | 211.17 | | 210.67 | 221.07 |
| From: Melfort, Sask. | FOB | WHEAT | 110.00 | 108.30 | | 106.80 | 130.50 |
| | | OATS | 111.00 | 111.00 | | 111.00 | 116.00 |
| | | BARLEY | 94.80 | 93.50 | | 94.50 | 106.50 |
| To: Bayports, Ont. | Track | WHEAT | 166.10 | 164.40 | | 162.90 | 186.60 |
| | | OATS | 176.37 | 176.37 | | 176.37 | 181.37 |
| | | BARLEY | 151.60 | 150.30 | | 151.30 | 163.30 |
| Montreal, Que. | Track | WHEAT | 166.86 | 165.16 | | 163.66 | 187.36 |
| | | OATS | 177.27 | 177.27 | | 177.27 | 182.27 |
| | | BARLEY | 152.42 | 151.12 | | 152.12 | 164.12 |
| Moncton, N.B. | Track | WHEAT | 188.03 | 186.33 | | 184.83 | 208.53 |
| | | OATS | 200.34 | 200.34 | | 200.34 | 205.34 |
| | | BARLEY | 173.98 | 172.68 | | 173.68 | 185.68 |
| Truro, N.S. | Track | WHEAT | 188.20 | 186.50 | | 185.00 | 208.70 |
| | | OATS | 203.78 | 203.78 | | 203.78 | 208.78 |
| | | BARLEY | 174.99 | 173.69 | | 174.69 | 186.69 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 231.53 | 229.83 | | 228.33 | 252.03 |
| | | OATS | 248.69 | 248.69 | | 248.69 | 253.69 |
| | | BARLEY | 223.29 | 221.99 | | 222.99 | 234.99 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 123.24 | 117.25 | | 112.56 | 130.27 |
| To: Montreal, Que. (US Corn) | In-store | | 141.24 | 135.25 | 1. | 130.56 | 150.74 |
| From: Saginaw (Mi) | Track | | 115.82 | 111.51 | | 109.65 | 125.45 |
| To: Montreal, Que. (US Corn) | Track | | 148.12 | 143.81 | | 141.95 | 157.75 |
| From: Chatham | Track | | 117.32 | 112.99 | | 110.82 | 117.91 |
| To: Montreal, Que. | Track | | 141.87 | 137.54 | | 135.37 | 142.46 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|----------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 260.69 | 254.30 | | 247.36 | 245.70 |
| To: Montreal, Que. | Track | | 284.36 | 277.97 | | 271.03 | 269.37 |
| Moncton, N.B. | Track | | 301.71 | 295.32 | | 288.38 | 286.72 |
| Truro, N.S. | Track | | 304.85 | 298.46 | | 291.52 | 289.86 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 352.15 | 345.76 | | 338.82 | 337.16 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

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COLOMBIA

Colombia, the fourth largest country in South America, occupies a strategic position at the gateway to South America, with port facilities on both the Pacific Ocean and the Caribbean Sea. Canadian agricultural exports to Colombia are led by wheat, pulses, malt, processed food and beverages. Major Colombian exports to Canada include: coffee, bananas, cut flowers, sugar, coal, and petroleum. This issue of the *Bi-weekly Bulletin* highlights the situation and outlook for Canadian exports of grains, oilseeds and special crops to Colombia.

Economic growth in Colombia slowed significantly in 1998 and 1999. The downturn is attributable to low oil and coffee prices, the economic slowdown in neighboring countries (especially Ecuador and Venezuela), devaluation of the peso, and economic difficulties in Brazil.

A devastating earthquake in January 1999 hit Colombia's coffee producing region causing a major decrease in coffee exports and international exchange earnings. Petroleum has replaced coffee as Colombia's largest source of export revenue.

Colombia's real Gross Domestic Product (GDP) grew only marginally in 1998, and growth is forecast at 1.6% in 1999. Agriculture's share of GDP is forecast to decline to 14% in 1999. Per capita income increased marginally to US\$2,261 in 1999, and the interest rate is currently at approximately 30%.

Although the Colombian *apertura* reform program has led to considerable increases in investment, trade activity and importation, risks for the export sector and foreign investors are rising as a result of increasing guerrilla violence and a volatile exchange rate. Privatization plans have not proceeded at the anticipated pace. Colombia's agricultural sector continues to move from a protectionist government regime, to an open system requiring domestic producers to compete with foreign imports. This has redirected production

to commodities in which Colombia has a competitive advantage, such as fruits and vegetables.

GOVERNMENT

President Pastrana took office in August 1998 and has implemented a number of free market economic policies. Labour difficulties plague the current administration as strikes by civil servants and teachers have at times brought the capital city, Bogota, to a standstill. The Colombian government has been operating with budget deficits in past years and efforts have been made to reduce the public sector deficit, streamline state bureaucracy, and reduce interest rates.

Trade Agreements

In pursuing these strategies, Colombia has focused its resources on four major areas: regional integration and security, economic growth, countering narcotics, and providing leadership for the Non-Aligned Movement. To pursue the first two goals, Colombia

has joined many regional and international organizations, and broadened its bilateral and multilateral relations. To promote regional integration and security, Colombia joined the General Agreement on Tariffs and Trade in 1981, and

subsequently the World Trade Organization in 1994. Colombia participates in the Rio Group, which provides a forum for the political leaders of Central and South American countries to discuss political, economic and social problems that exist in the region, and is a member country of the Organization of American States.

Colombia is actively promoting the process towards a Free Trade Area of the Americas, due for completion by the year 2005. It led the negotiations for establishing the Andean Pact which was established in 1969, and by 1976 consisted of Bolivia, Colombia, Ecuador, Peru, and Venezuela. While this trade agreement faltered throughout its early years, in 1989 clear guidelines were drawn up to eliminate trade barriers within the group, to create a customs union with a common external tariff, to harmonize economic and social policies, and to adopt a joint industrialization program.

COLOMBIA: ECONOMIC STATISTICS

| | 1996 | 1997 | 1998 | 1999 |
|----------------------------|-------|-------|-------|-------|
| Population (millions) | 39.4 | 40.1 | 40.7 | 41.1 |
| GDP (US\$ billions)* | 86.4 | 95.2 | 100.0 | 92.6 |
| GDP growth (%) | 2.1 | 3.1 | 0.2 | 1.6 |
| GDP per capita (US\$) | 2,264 | 2,279 | 2,256 | 2,261 |
| Exchange rate (pesos/US\$) | 1,037 | 1,140 | 1,536 | 1,782 |
| Inflation rate (%)* | 20.2 | 18.5 | 18.5 | n/a |

Land area: 1.1 million square kilometres

Arable land: 220,000 square kilometres

* International Monetary Fund

Source: FAO



Agriculture and Agroaliments
Agri-Food Canada Agroalimentaire Canada

Canada

Colombia has signed several other multilateral free trade agreements that affect trade. Among the most important are: the Latin American Integration Association (LAIA), composed of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela; the Group of Three established in 1995 with Mexico and Venezuela- which calls for total elimination of tariffs over a ten-year period; a Bilateral Free Trade Agreement with Chile; and a preferential agreement with CARICOM, the Caribbean Community.

In the summer of 1999, Canada signed an agreement with the Andean Pact countries which should build on the annual \$3 billion in bilateral trade. The goals of this agreement are to assess trade barriers, harmonize customs duties and other trade barriers, and promote hemispheric free trade. The Andean countries have shared a preferential agreement, the Andean Trade Initiative, with the US since 1991, whereby the US provides duty-free treatment to certain imports from this region.

AGRICULTURE

About 20% of the country's total area is arable. The climate and topography of Colombia are not well-suited for large scale grain and oilseed production, and recent government initiatives have encouraged a shift away from grain, oilseeds, and cotton to more suitable products for Colombia; such as perennial crops, livestock, coffee, cut flowers, sugarcane, bananas, palm oil,

and other specialized fruits and vegetables.

Colombia has put a priority on its dairy, livestock, and poultry industries, as land previously devoted to field crops is being redirected to livestock. Grain imports which consist mainly of corn, wheat, rice, and barley, have increased steadily from 1990.

Oilseed imports, mostly soybeans and soymeal have also increased during this time. However, although food and agriculture imports increased at an annual rate of 23% from 1990 to 1997, they increased by only 1.3% in 1998 due to low income growth and devaluation of the peso.

Wheat

Colombia's wheat production has declined, from a high of 117,000 tonnes (t) in 1992 to 25,000 t in 1998 and 1999. Area seeded shifted to more profitable crops, such as fruits and vegetables.

Prior to 1992, before the advent of trade pacts such as the Andean Trade Pact, the Colombian government agency Institute de Mercadeo Agropecuario (IDEMA) controlled all wheat imports. IDEMA discouraged competition within the Colombian milling industry by determining the quantity, quality, and origin of wheat

imports, and assigned wheat at a fixed price, to mills on the basis of a quota system. This assured small milling operations market shares. After IDEMA deregulation, some companies began to aggressively increase their market share by reducing flour prices. Lower flour prices, in addition to increased urbanization, are expected to increase the consumption of wheat-based products. However, the consumption of wheat products faces significant competition from more traditional staples such as corn, yucca, and potatoes. It is estimated that Colombian millers are operating at 70% of their total capacity.

Between 1988 and 1992, the US was the largest supplier of wheat to Colombia. However since deregulation, other countries, most notably Canada, have increased their market share. As mills acquired freedom to import wheat without IDEMA involvement, quality has



COLOMBIA: CROP PRODUCTION AND CONSUMPTION

| | 1997-1998 | | 1998-1999 | | 1999-2000f | |
|-------------------------|---------------------------|-------------|------------|-------------|------------|-------------|
| | Production | Consumption | Production | Consumption | Production | Consumption |
| |thousand tonnes..... | | | | | |
| Wheat (excluding Durum) | 30 | 1,088 | 25 | 1,100 | 25 | 1,025 |
| Barley | 20 | 243 | 20 | 220 | 20 | 230 |
| Corn | 800 | 2,644 | 880 | 2,450 | 1,000 | 2,650 |
| Soybeans | 76 | 310 | 76 | 420 | 88 | 530 |
| Palm Kernels | 83 | 83 | 88 | 88 | 91 | 91 |
| Rice | 800 | 1,033 | 820 | 1,108 | 950 | 1,100 |
| Sorghum | 180 | 232 | 175 | 185 | 165 | 190 |
| Dry Beans | 139 | 184 | 140 | 173 | 140 | 180 |

f: forecast, AAFC February 2000

Source: USDA, FAO

become more of a factor. High-quality Canadian Western Red Spring Wheat assured Canada's role as a major wheat supplier to Colombia. Imports of hard red spring wheat have increased at the expense of hard red winter wheat. Australian wheat has been used with some success, but Australia is at a considerable logistic disadvantage to Canada and the US. Argentina has played a minor role in the supply of medium-level protein wheat.

Canadian wheat exports to Colombia (excluding durum) have averaged 0.44 Mt over the past five years, and are forecast to decrease to 0.25 Mt for 1999-2000, due to high protein premiums.

Historically, Colombian pasta has been produced from common wheat, and durum wheat was neither produced nor imported. However, market development work by the Canadian Wheat Board, Canadian International Grains Institute, and the Canadian Grain Commission has been instrumental in increasing demand for durum-based pasta. Imports of Canadian durum are forecast at 5,000 t in 1999-2000, the same as in 1998-1999.

Barley

Barley is a minor crop which has been trending downward and production has averaged only 29,000 t over the 1995-1999 period. Efforts by the Colombian government to encourage alternative crops, such as dry beans, have led to

declining barley production. Colombia is the second largest importer of malting barley in South America.

Per capita beer consumption is about 25, 65, and 90 litres in Colombia, Canada, and the US respectively, indicating strong potential for growth in Colombia. However, although Colombia imports 175,000-200,000 t of malting barley per year, the majority is from the EU (75%) and Australia (25%). Imports from Canada have been minimal since 150,000 t in 1995-1996. Colombia's standards for plumpness and protein content became more stringent in the mid-90s and are more suitable to EU and Australian malting barley, although Canadian two-row Harrington has proven to produce a malt of comparable quality. However, over the medium-term, new varieties in Canada, such as *Stratus* and *Kendall*, are expected to increase the availability of malting barley to meet Colombia's stringent specifications. Colombia generally imports very low volumes of barley malt although, in recent years, Canada has exported 20,000-30,000 t of malt due to labour problems in Colombia's processing sector. Canada's presence in this market is expected to decrease as Colombia's processing sector stabilizes.

Corn

Corn production is expected to increase in the 1999-2000 crop year, and imports of corn continues to rise with the US being the major exporter.

palm kernels, cottonseed, soybean, and sesame seed. Colombia imports soymeal for feed use in the poultry and dairy sectors. Colombia does not import Canadian oilseeds or their products, due to competition from US and South American soybeans.

Special Crops

Colombia's total imports of **lentils** have trended upward to about 45,000 t in recent years. Canada's share of the market, mostly of the Laird variety, has been increasing since the mid-1990s and reached about 40,000 t in 1998-1999. Canadian lentils are preferred because they are larger and have a reputation for cooking faster. Total imports of **dry peas** have trended upward to about 50,000 t in recent years, of which 32,000 t, all for food use, were imported from Canada in 1998-1999. Total imports of **dry beans** have been variable and averaged about 35,000 t in recent years, of which 8,800 t were imported from Canada in 1998-1999. Colombian **chick pea** imports have been increasing with about 10,000 t imported in recent years. In 1998-1999, 700 t of chick peas were imported from Canada. Total Colombian imports of **canary seed** have increased to 4,000 t in recent years, 50% of which were imported from Canada in 1998-1999.

For 1999-2000, Canadian exports of **dry peas** and **lentils** are expected to increase, due to the growth in Colombian use and lower production in most exporting countries. Canadian **dry bean** exports are also expected to increase. Canadian **chick pea** exports are expected to increase to about 3,000 t in 1999-2000, due to larger Canadian production and strong

COLOMBIA: WHEAT SUPPLY AND DISPOSITION

| July-June marketing year | 1997 -1998 | 1998 -1999 | 1999 -2000f |
|-----------------------------|---------------|---------------|----------------|
| Harvested area (000 ha) | 19 | 13 | 13 |
| Yield (t/ha) | 1.58 | 1.92 | 1.92 |
|thousand tonnes..... | | | |
| Carry-in Stocks | 112 | 102 | 127 |
| Production | 30 | 25 | 25 |
| Imports | 1,048 | 1,100 | 1,000 |
| Total Supply | 1,190 | 1,227 | 1,152 |
| Feed | 20 | 20 | 20 |
| Food, Seed, Industrial Use | 1,068 | 1,080 | 1,005 |
| Total Domestic Use | 1,088 | 1,100 | 1,025 |
| Carry-out Stocks | 102 | 127 | 127 |

f: forecast, February 2000
Source: USDA

Oilseeds

Colombia's domestic oilseed supply is mainly composed of

COLOMBIA: IMPORTS FROM CANADA

| | 1997 -1998 | 1998 -1999 | 1999 -2000f |
|---------------------------|---------------|---------------|----------------|
|thousand tonnes..... | | | |
| Wheat (excluding Durum) | 597.0 | 443.0 | 250.0 |
| Lentils | 46.0 | 40.0 | 45.0 |
| Dry Peas | 36.0 | 32.0 | 40.0 |
| Dry Beans | 8.0 | 9.0 | 12.0 |
| Chickpeas | 0.7 | 0.6 | 3.0 |
| Canary Seed | 3.0 | 2.0 | 3.0 |
| Mustard Seed | 0.1 | 0.1 | 0.1 |

f: forecast, AAFC February 2000
Source: Statistics Canada, Canadian Grain Commission

Colombian demand. Canadian exports of **canary seed** are expected to increase significantly due to increased use and lower production in Argentina, which also exports to Colombia.

Dairy Products

Since the late 1980s, exports of dairy products to Colombia have increased significantly, and there is potential for growth. Canadian exports of dairy products, along with eggs and honey, increased from \$1.9 million in 1996 to \$2.9 million in 1997, but decreased by 27% in 1998 due to the economic slowdown. Canada's main competitors for dairy products are the US, the Netherlands, and Venezuela.

Coffee has been Colombia's most important crop since the beginning of the century, however, Colombia's reliance on this crop has diminished over the past several years. Coffee is a tree crop grown on rough, steep terrain, and harvesting remains a labour-intensive process. As a result, most coffee farms are still small, occupying an average of fewer than six hectares of land.

Colombia is the third largest producer and exporter of **bananas** in the world, with foreign sales totaling US\$459 million in 1996.

In the last ten years, Colombia has become the second largest exporter of cut **flowers** in the world, after the Netherlands. The US is the main importer of Colombian flowers, with imports benefitting from duty-free access under the Andean Trade Preferences Act. The Act expires in 2001 and means that flower imports will be subject to a maximum tariff of 8%. It is not expected that this will mean a severe loss of market share.

MEDIUM-TERM OUTLOOK

Colombia's growing middle-class of consumers are rapidly acquiring a taste for North American type food products. This change in preferences, in addition to an increase in the number of women entering the workforce is expected to increase the demand for convenience food which is expected to increase per capita demand for bread products.

Increased competition in the milling industry is expected to increase the demand for high-quality spring wheat to service increased demand for specialty bread and flour which will favour higher exports from Canada. Also, the introduction of new pasta production technologies is expected to increase demand for Canadian durum in Colombia.

Despite mounting pressure from agricultural groups, the current administration has announced that Colombia's agricultural and macroeconomic policies will continue to focus on structural reform and the opening of the economy, with emphasis on structural changes to reduce the fiscal deficit. This, along with a growing population, and the downward trend in grain and oilseed production, supports expected sales opportunities for Canadian wheat, malting barley, and special crops.

Infrastructure development in Colombia lags behind that of other economies in the region. Foreign investment in Colombia has only been possible since the early 1990s. The current administration is committed to infrastructure development although there are major budget restrictions. Over the medium-to-long term, improvements in transportation infrastructure are expected to increase Colombia's potential in both the export and import market.

The government announced plans to reorganize **airports** by allowing new airlines to enter the country and providing greater freedom in routes and timetables. A second runway at Bogota's Eldorado International Airport, the country's busiest, will contribute to more efficient handling of increased trade volume of perishable products such as flowers, fresh and frozen fruits and vegetables, and processed foods.

The **railroad** network of about 3,150 kilometres has been nearly abandoned over the past 30 years. While the projected capacity is 8.4 Mt per year, utilization is estimated at only 10%. Improvement in the rail system over the next ten years will improve the access from main production areas to ports.

Colombia's ten major ocean **ports** were privatized in 1993. With private capital to

road and rail projects increasing, there are improved links between the main ports and major consumption and production centres. Three of these major ports have grain terminal elevators. In the past four years, port cargo capacity has expanded by 13% annually. Dry port facilities are under consideration in several locations in conjunction with the railroad rehabilitation program.

The pace of **road development** has not met the country's needs. Average investment in highways amounts to 1.23% of GDP per year, below the 2.5% recommended by the World Bank. In 1996, 50% of all freight tonnage went by road, indicating the need to improve efficiency in this sector. A road from the interior of the country to the Pacific port of Buenaventura, is still being designed. In addition, a highway from Bogota to the eastern plains is expected to be complete in 1999.

This article was written by Ila Wiebe, a former Assistant Market Analyst with the Market Analysis Division.

For more information please contact:

Fred Oleson,
Chief, Market Analysis Division
Phone: (204) 983-0807
E-mail: olesonf@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

The Bi-weekly Bulletin is published by the Market Analysis Division, Policy Branch, Adaptation and Grain Policy Directorate, Agriculture and Agri-Food Canada, 500-303 Main Street Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

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Aussi disponible en français.

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | As of Monday January 31, 2000 | | | | | | |
|---|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|-------------|-----------|------------|------------|-------------|-------------|--------------|-------------------------------|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL- FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | GLUTEN FEED | DEHY ALFALFA | FEATHER MEAL | | | | | | |
| Vancouver B.C. | This week | FOB | (1) 129.16 | N/A | 126.66 | (3) 151.00 | | 283.00 | (7) 181.12 | 115.00 | 310.00 | (4) 600.00 | 400.00 | | | | 360.00 | | | | | | |
| | Week ago | | (1) 130.16 | N/A | 129.16 | (3) 157.00 | | 286.75 | (7) 184.33 | 115.00 | 310.00 | (4) 600.00 | 410.00 | | | | 360.00 | | | | | | |
| Calgary Alta | This week | FOB | (1) 106.00 | 100.00 | 103.50 | (3) 138.00 | | 277.75 | 170.00 | | 270.00 | (4) 650.00 | 520.00 | | | | 355.00 | | | | | | |
| | Week ago | | (1) 107.00 | 100.00 | 106.00 | (3) 137.00 | | 274.50 | 174.00 | | 265.00 | (4) 650.00 | 530.00 | | | | 355.00 | | | | | | |
| Saskatoon Sask. | This week | FOB | (1) 104.75 | 102.50 | 91.00 | (3) 121.00 | | 266.75 | 178.00 | | 270.00 | (4) N/A | 520.00 | | | | 385.00 | | | | | | |
| | Week ago | | (1) 103.50 | 100.00 | 90.00 | (3) 118.00 | | 263.50 | 178.00 | | 265.00 | (4) N/A | 530.00 | | | | 385.00 | | | | | | |
| Melfort Sask. | This week | FOB | (1) 110.00 | 111.00 | 96.00 | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 110.20 | 111.00 | 95.40 | | | | | | | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | (1) 100.35 | 107.44 | 93.35 | (3) 116.00 | | 250.75 | 178.00 | | 265.00 | (4) 744.00 | 430.00 | | | | 320.00 | | | | | | |
| | Week ago | | (1) 100.55 | 108.13 | 92.85 | (3) 114.00 | | 249.00 | 178.00 | | 265.00 | (4) 744.00 | 430.00 | | | | 320.00 | | | | | | |
| Thunder Bay Ont. | This week | Track | (1) 127.00 | 135.00 | 111.50 | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 126.70 | 135.00 | 110.40 | | | | | | | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | (3) 124.58 | | | | | | | | | | | | | | | | | |
| | Week ago | Vessel | | | | (3) 123.97 | | | | | | | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | (1) 142.50 | 151.00 | 127.00 | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 142.70 | 151.00 | 126.40 | | | | | | | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | (2) 117.51 | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | (2) 119.58 | | | | | | | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | 281.00 | (5) N/A | 505.00 | 440.00 | 125.00 | 200.00 | 300.00 | | | | | | |
| | Week ago | | | | | | FOB | 270.50 | 191.36 | | 281.00 | (5) N/A | 505.00 | 430.00 | 125.00 | 204.00 | 300.00 | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | | 263.78 | 186.62 | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | (2) 115.79 | | | | | | | | 430.00 | 117.00 | | | | | | | | |
| | Week ago | | | | | (2) 116.64 | | | | | | | | 420.00 | 117.00 | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | 430.00 | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | 420.00 | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | 430.00 | 117.00 | | | | | | | | |
| | Week ago | | | | | | | | | | | | | 420.00 | 117.00 | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | 440.00 | 127.00 | 210.00 | 320.00 | | | | | | |
| | Week ago | | | | | | | | | | | | | 430.00 | 127.00 | 210.00 | 320.00 | | | | | | |
| Montreal Que. | This week | | | | | | FOB | 287.15 | 201.78 | 110.00 | 281.00 | (5) 760.00 | 309.00 | 440.00 | 127.00 | | | | | | | | |
| | Week ago | | | | | | | 286.18 | 200.40 | 111.00 | 281.00 | (5) 760.00 | 331.00 | 430.00 | 127.00 | | | | | | | | |
| Trois-Riv. Que. | This week | In-store | (1) 147.00 | | 137.00 | (2) 141.13 | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 147.20 | | 136.40 | (2) 142.81 | | | | | | | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | (1) 146.50 | 120.00 | 130.75 | (2) 127.36 | | | | | | | | | | | | | | | | | |
| St-Hyacinthe, Que. | This week | | (1) 146.03 | 120.00 | 131.05 | (2) 127.45 | | | | | | | | | | | | | | | | | |
| Quebec Que. | This week | In-store | (1) 148.17 | | 134.33 | (2) 140.48 | FOB | 293.29 | | | | | | | | | | | | | | | |
| | Week ago | | (1) 148.70 | | 134.07 | (2) 138.87 | | 288.03 | | | | | | | | | | | | | | | |
| Truro N.S. | This week | Track | (1) 173.18 | 196.49 | 160.81 | (2) 167.31 | FOB | 319.47 | 215.11 | | | | | | | | | | | | | | |
| | Week ago | | (1) 173.55 | 196.49 | 160.61 | (2) 166.92 | | 318.43 | 211.58 | | | | | | | | 345.55 | | | | | | |
| Truro N.S. | This week | Water | (1) 170.10 | N/A | 159.40 | 161.95 | | | | | | | | | | | 345.55 | | | | | | |
| | Week ago | & Truck | (1) 169.90 | N/A | 159.20 | 162.05 | | | | | | | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | (1) 158.45 | N/A | 146.75 | 149.85 | FOB | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 157.75 | N/A | 146.05 | 148.90 | | | | 255.25 | | (5) 574.25 | | | | | | | | | | | |
| | | | | | | | | | | 255.25 | | (5) 561.75 | | | | | | | | | | | |
| Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1 00=Cdn \$1.4512 as of January 31, 2000 | | | | | | | | | | | | | | | | | | | | | | | |
| Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease. | | | | | | | | | | | | | | | | | | | | | | | |
| (1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley | | | | | | | | | | | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.4512 as of January 31, 2000

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No. 1 Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Fish Meal- white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWR3 (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday January 31, 2000

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 127.00 | 126.70 | 121.50 | 141.30 |
| | | OATS | 135.00 | 135.00 | 137.50 | N/A |
| | | BARLEY | 111.50 | 110.40 | 110.90 | 115.00 |
| To: Bayports, Ont. | In-store | WHEAT | 152.11 | 151.81 | 143.06 | 165.16 |
| | | OATS | N/A | N/A | 166.61 | N/A |
| | | BARLEY | 140.95 | 139.85 | 137.65 | 144.30 |
| Montreal, Que. | In-store | WHEAT | 156.96 | 156.66 | 148.13 | 169.37 |
| | | OATS | N/A | N/A | 175.76 | N/A |
| | | BARLEY | 146.46 | 145.36 | 142.70 | 149.55 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 179.46 | 179.16 | 169.38 | 189.18 |
| | | OATS | N/A | N/A | 200.02 | N/A |
| | | BARLEY | 172.52 | 171.42 | 164.23 | 168.33 |
| Truro, N.S. | Truck via Halifax | WHEAT | 176.90 | 176.60 | 166.88 | 186.68 |
| | | OATS | N/A | N/A | 197.52 | N/A |
| | | BARLEY | 167.64 | 166.54 | 161.73 | 165.83 |
| Halifax, N.S. | In-store | WHEAT | 164.23 | 163.93 | 156.69 | 178.94 |
| | | OATS | N/A | N/A | 185.58 | N/A |
| | | BARLEY | 153.97 | 152.87 | 150.74 | 157.52 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 221.93 | 221.63 | 216.43 | 236.23 |
| | | OATS | 241.20 | 241.20 | 243.15 | N/A |
| | | BARLEY | 218.64 | 217.54 | 213.57 | 217.67 |
| From: Melfort, Sask. | FOB | WHEAT | 110.00 | 110.20 | 108.50 | 125.50 |
| | | OATS | 111.00 | 111.00 | 113.00 | 110.70 |
| | | BARLEY | 96.00 | 95.40 | 94.90 | 105.20 |
| To: Bayports, Ont. | Track | WHEAT | 166.12 | 166.32 | 164.60 | 181.60 |
| | | OATS | 169.87 | 169.87 | 178.37 | 176.07 |
| | | BARLEY | 149.39 | 148.79 | 151.70 | 162.00 |
| Montreal, Que. | Track | WHEAT | 166.87 | 167.07 | 165.36 | 182.36 |
| | | OATS | 170.77 | 170.77 | 179.27 | 176.97 |
| | | BARLEY | 150.21 | 149.61 | 152.52 | 162.82 |
| Moncton, N.B. | Track | WHEAT | 188.05 | 188.25 | 186.53 | 203.53 |
| | | OATS | 194.11 | 194.11 | 202.34 | 200.04 |
| | | BARLEY | 162.32 | 161.72 | 174.08 | 184.38 |
| Truro, N.S. | Track | WHEAT | 188.22 | 188.42 | 186.70 | 203.70 |
| | | OATS | 195.08 | 195.08 | 205.78 | 203.48 |
| | | BARLEY | 175.94 | 175.34 | 175.09 | 185.39 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 231.56 | 231.76 | 230.03 | 247.03 |
| | | OATS | 242.46 | 242.46 | 250.69 | 248.39 |
| | | BARLEY | 224.23 | 223.63 | 223.39 | 233.69 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|---------------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 124.58 | 123.97 | 113.36 | 127.88 |
| To: Montreal, Que. (US Corn) | In-store | | 145.70 | 145.09 | 131.36 | 148.35 |
| From: Saginaw (Mi) | Track | | 116.03 | 116.03 | 108.81 | 124.32 |
| To: Montreal, Que. (US Corn) | Track | | 143.57 | 143.57 | 141.11 | 156.62 |
| From: Chatham | Track | | 117.51 | 119.58 | 112.00 | 119.48 |
| To: Montreal, Que. | Track | | 140.40 | 142.47 | 136.55 | 144.03 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|---------------|---------------|
| From: Hamilton, Ont. | | | 270.50 | 263.78 | 245.59 | 236.33 |
| To: Montreal, Que. | Track | | 292.97 | 286.25 | 269.26 | 260.00 |
| Moncton, N.B. | Track | | 310.28 | 303.56 | 286.61 | 277.35 |
| Truro, N.S. | Track | | 313.25 | 306.53 | 289.75 | 280.49 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 362.51 | 355.79 | 337.05 | 327.79 |

1. Prices include two month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

February 18, 2000

Vol. 13 No. 4

CANADA: AREA SEEDED FOR 2000-2001

Expected net returns, derived from projected prices, yields, and variable costs of production, exert a major influence on seeding decisions. However, soil moisture, carry-in stocks, cash flow, crop rotation requirements, disease, and pest problems are also very important factors that are taken into consideration. In Canada, seeded area for 2000-2001 is expected to shift from oilseeds to durum, barley, spring wheat, and certain special crops. This issue of the *Bi-weekly Bulletin* examines the returns and expected area seeded for the various crops in Canada.

Relative net returns are one of the most important factors affecting cropping decisions, especially during a period of low crop prices. Net returns relative to variable or operating costs affect short-term cropping decisions, while net returns over total costs (fixed and variable) influence long-term decisions, such as rotation patterns and entry into and exit from the industry. Fixed costs vary across provinces by soil type, farm size, and type of operation. For example, land values in Ontario make the fixed costs of production much higher than in Western Canada. As each province's agriculture department uses a different methodology, the crop budgets are not comparable across provinces. Expected prices and yields have been forecast by Agriculture and Agri-Food Canada (AAFC).

SOIL ZONES

Detailed crop budgets of the variable costs are provided for various soil zones for stubble crops in the Prairie provinces and Ontario. Saskatchewan Agriculture and Food provides crop budgets for crops seeded to fallow and stubble land in the brown, dark brown and black soil zones. Alberta Agriculture, Food and Rural Development (AAFRD) provides budgets for crops seeded to fallow and stubble in the brown, and dark brown soil zones. For the black and gray soil zones, AAFRD provides budgets for only the crops seeded to stubble. Manitoba Agriculture and the Ontario Ministry of Agriculture, Food and Rural Affairs provide provincial crop budgets only.

Productivity in Western Canada depends on soil type. For instance, the brown soil found in the semi-arid region of the Prairies is subject to wide variations in crop yields and is subject to drought due to low average precipitation in the region, while dark brown soil is less vulnerable to drought. The black soil zone has better moisture retention characteristics

than the brown soil, resulting in higher average yields, and is rarely subject to drought. The gray soil zone, extending into the northern regions of the Prairies, is characterized by higher moisture levels, cooler temperatures, and a shorter growing season. Climatic conditions also influence the susceptibility of crops to disease and pest infestations, requiring different combinations and levels of herbicides and pesticides. Therefore, there are significant variations in the crop budgets on the basis of expected yields and the variable costs of production for the individual soil types.

PRICE FORECASTS

Average farm prices by province have been forecast by AAFC, assuming normal growing conditions. Unusual weather in the major importing or exporting countries, and other changes in market conditions, could change the forecasts considerably.

YIELD FORECASTS

Average provincial yields have been forecast by AAFC, using trend analysis. For 2000-2001 a return to normal yields is expected from the historically high yields of 1999-2000 which resulted from very favourable growing conditions. Adjustments for soil zone are based on historical yield variations between soil zones using Statistics Canada data. Adjustments to a 'stubble' basis were based on provincial data.

CROP BUDGETS: PRAIRIE PROVINCES

The crop budget tables show significant differences in variable costs between provinces and soil zones. Much of the variation between provinces is due to seed (including treatment) costs, and the costs of fertilizer and pesticides. To compare budgets across the provinces, custom work costs for Western Canada have been included in the chemical costs, while for

Ontario, custom work costs have been apportioned to chemical and fertilizer costs. The 'other' cost category is used to assign a value to overhead expenses such as utilities, and in Ontario also expresses marketing fees. The cost of management and/or owner/operator labour has not been included in the following budgets.

In **Manitoba**, the highest projected net return is for lentils, followed by spring wheat, peas, and oats. Net returns are the lowest for flaxseed, feed barley, and canola. Strong local feed

CANADA: AREA SEEDED

| | 1999 ... '000 ha... | 2000f 2,425 | Change % |
|----------------------|------------------------|----------------|--------------|
| Durum | 1,777 | 2,425 | 36.5 |
| Wheat ex. Durum | 8,676 | 8,960 | 3.3 |
| All Wheat | 10,453 | 11,385 | 8.9 |
| Barley | 4,409 | 4,644 | 5.3 |
| Corn | 1,158 | 1,165 | 0.6 |
| Oats | 1,886 | 1,900 | 0.7 |
| Rye | 225 | 164 | -27.2 |
| Mixed Grain | 274 | 275 | 0.4 |
| Coarse Grains | 7,951 | 8,147 | 2.5 |
| Canola | 5,599 | 5,000 | -10.7 |
| Flaxseed | 809 | 495 | -38.8 |
| Soybeans | 999 | 1,000 | 0.1 |
| Oilseeds | 7,407 | 6,494 | -12.3 |
| Dry Peas | 851 | 979 | 15.0 |
| White Pea Beans | 76 | 79 | 3.1 |
| Coloured Beans | 78 | 83 | 7.0 |
| Lentils | 506 | 583 | 15.1 |
| Mustard | 280 | 266 | -5.0 |
| Sunflower | 85 | 90 | 5.9 |
| Canary Seed | 150 | 142 | -5.2 |
| Chick Peas | 150 | 165 | 10.3 |
| Buckwheat | 14 | 15 | 7.9 |
| Special Crops | 2,190 | 2,402 | 9.7 |
| Summerfallow | 6,056 | 5,441 | -10.2 |

Totals may not add due to rounding
f: forecast, AAFC, February 2000
Source: Statistics Canada



Agriculture and Agri-Food Canada
Agriculture et Agroalimentaire Canada

Canada

demand and strong returns for malting barley will support barley production, and the margin for canola may be improved through more conservative input use.

In the **Saskatchewan brown soil zone**, Desi chick peas, Kabuli chick peas, and lentils have the highest margins, but the increase in area seeded to these crops will be limited due to risks associated with special crop production. The projected net return for durum and yellow mustard are higher than spring wheat. Returns are lowest for feed barley. In the **black soil zone**, malting barley (Special Select 2 Row - SS2R) has the highest potential net return, followed by spring wheat, peas, feed barley and canola. Returns from oats are the lowest.

In the **Alberta brown soil zone**, the potential net returns for Kabuli chick peas and lentils are by far the highest, but as in Saskatchewan, area seeded to special crops will be limited by production and price risks inherent in special crop production. Spring wheat, durum, and feed barley are forecast to have positive net returns, while Polish canola will yield a negative return. In the **black soil zone**, the net returns for wheat are forecast to be relatively high, followed by peas, Canada Prairie Spring (CPS) wheat, feed barley, and Argentine canola. The lowest net returns are for feed oats.

AREA SHIFTS

The current area seeded projections have been revised from the AAFC January 7, 2000 releases of the *Grains and Oilseeds Outlook* and *Special Crops Outlook*.

In **Western Canada**, the large unseeded area in 1999 makes comparisons with the areas projected for 2000 difficult. Although area seeded for certain crops, such as spring wheat and oats, appear to be increasing, much of the increase is merely due to a return to a normal seeded area.

All wheat seeded area is projected to increase to over 11 million hectares (Mha) from 1999. Of that, **spring wheat** area is forecast to increase slightly from 8.2 Mha in 1999 to 8.5 Mha in 2000, largely due to the higher expected net returns compared to most alternative crops and cash flow considerations. Area seeded to all cereal crops including wheat, durum, barley, and oats will be supported by the relatively lower costs of production. **Durum** area is expected to increase by about 36% to 2.4 Mha in 2000. Durum area decreased significantly in 1999 due to expectations of very low durum prices associated with a major increase in durum area seeded in the

CROP BUDGETS: 2000-2001

MANITOBA

| | Spring Wheat | Feed Barley ^{1/} | Canola | Flax- seed | Oats | Lentils | Peas |
|--|-----------------|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Variable Costs ^{1/} |\$/ha..... | | | | | | |
| Seed (inc. treatment) | 28.50 | 15.98 | 61.74 | 27.00 | 25.12 | 34.65 | 58.80 |
| Fertilizer | 58.04 | 58.04 | 71.78 | 51.23 | 53.93 | 44.24 | 41.14 |
| Chemicals | 58.07 | 58.07 | 119.85 | 56.83 | 12.97 | 124.79 | 59.31 |
| Fuel | 27.80 | 27.80 | 27.80 | 27.80 | 27.80 | 30.27 | 32.74 |
| Repairs | 24.71 | 24.71 | 24.71 | 24.71 | 24.71 | 27.18 | 25.95 |
| Crop Insurance | 14.58 | 11.98 | 25.70 | 14.21 | 15.69 | 21.25 | 15.07 |
| Interest | 9.75 | 9.15 | 14.55 | 9.36 | 7.69 | 12.58 | 10.65 |
| Other | 18.53 | 18.53 | 18.53 | 18.53 | 18.53 | 18.53 | 19.77 |
| Total Variable Costs | 239.98 | 224.26 | 364.66 | 229.67 | 186.44 | 313.49 | 263.43 |
| Projected Returns ^{2/} | 2 CWRS* | 1 CW | 1 CAN | 1 CW | 3 CW | 2 CAN | 3 CAN |
| Projected Yield (t/ha) | 2.30 | 3.30 | 1.59 | 1.40 | 2.75 | 1.30 | 2.25 |
| Projected Price (\$/t) | 140.00 | 75.00 | 233.00 | 190.00 | 85.00 | 350.00 | 145.00 |
| Projected Revenue (\$/ha) | 322.00 | 247.50 | 370.47 | 266.00 | 233.75 | 455.00 | 326.25 |
| Net Return (\$/ha) | 82.02 | 23.24 | 5.81 | 36.33 | 47.31 | 141.51 | 62.82 |

SASKATCHEWAN: Brown Soil Zone - conventional seeded stubble

| | Spring Wheat | Durum Wheat | Feed Barley ^{1/} | Lentils | Yellow Mustard | Kabuli Chick Peas | Desi Chick Peas |
|--|-----------------|----------------|------------------------------|---------------|-------------------|----------------------|--------------------|
| Variable Costs ^{3/} |\$/ha..... | | | | | | |
| Seed (inc. treatment) | 13.96 | 19.24 | 11.78 | 57.80 | 7.66 | 217.85 | 68.05 |
| Fertilizer | 37.79 | 37.79 | 37.79 | 19.93 | 44.46 | 19.93 | 19.93 |
| Chemicals | 46.02 | 46.56 | 41.47 | 91.54 | 62.32 | 58.56 | 58.56 |
| Fuel | 20.25 | 20.25 | 20.25 | 22.28 | 21.27 | 22.28 | 22.28 |
| Repairs | 14.82 | 14.82 | 14.82 | 22.23 | 14.82 | 22.23 | 22.23 |
| Crop Insurance | 5.66 | 5.98 | 9.04 | 22.16 | 10.65 | 21.88 | 15.26 |
| Interest | 5.38 | 5.61 | 5.26 | 9.04 | 6.25 | 13.81 | 7.93 |
| Other | 5.16 | 5.16 | 5.16 | 5.16 | 5.16 | 5.16 | 5.16 |
| Total Variable Costs | 149.04 | 155.41 | 145.58 | 250.14 | 172.58 | 381.71 | 219.41 |
| Projected Returns ^{2/} | 1 CWRS* | 1 CWAD* | 1 CW | 1 CAN | 1 CAN | | |
| Projected Yield (t/ha) | 1.55 | 1.55 | 2.00 | 1.10 | 0.80 | 1.20 | 1.50 |
| Projected Price (\$/t) | 140.00 | 150.00 | 80.00 | 345.00 | 310.00 | 460.00 | 265.00 |
| Projected Revenue (\$/ha) | 217.00 | 232.50 | 160.00 | 379.50 | 248.00 | 552.00 | 397.50 |
| Net Return (\$/ha) | 67.96 | 77.09 | 14.42 | 129.36 | 75.42 | 170.29 | 178.09 |

SASKATCHEWAN: Black Soil Zone - conventional seeded stubble

| | Spring Wheat | Malting Barley | Feed Barley ^{1/} | Oats | Peas | Flaxseed | Canola |
|--|-----------------|-------------------|------------------------------|---------------|---------------|---------------|---------------|
| Variable Costs ^{3/} |\$/ha..... | | | | | | |
| Seed (inc. treatment) | 15.17 | 12.97 | 12.97 | 14.23 | 40.01 | 11.68 | 29.64 |
| Fertilizer | 52.61 | 52.61 | 52.61 | 52.61 | 26.60 | 52.61 | 65.95 |
| Chemicals | 67.93 | 52.71 | 52.71 | 34.41 | 69.65 | 66.69 | 65.01 |
| Fuel | 20.25 | 20.25 | 20.25 | 20.25 | 22.28 | 22.28 | 21.27 |
| Repairs | 19.76 | 19.76 | 19.76 | 19.76 | 28.16 | 23.71 | 19.76 |
| Crop Insurance | 7.81 | 7.51 | 7.51 | 7.19 | 8.08 | 10.87 | 12.13 |
| Interest | 7.16 | 6.52 | 6.52 | 5.85 | 7.58 | 7.34 | 8.30 |
| Other | 7.76 | 7.76 | 7.76 | 7.76 | 7.76 | 7.76 | 7.76 |
| Total Variable Costs | 198.44 | 180.09 | 180.09 | 162.06 | 210.12 | 202.94 | 229.81 |
| Projected Returns ^{2/} | 2 CWRS* | SS2R | 1 CW | 3 CW | 3 CAN | 2 CW | 1 CW |
| Projected Yield (t/ha) | 2.05 | 2.85 | 3.00 | 2.35 | 1.95 | 1.30 | 1.25 |
| Projected Price (\$/t) | 136.00 | 125.00 | 80.00 | 70.00 | 140.00 | 183.00 | 228.00 |
| Projected Revenue (\$/ha) | 278.80 | 356.25 | 240.00 | 164.50 | 273.00 | 237.90 | 285.00 |
| Net Return (\$/ha) | 80.36 | 176.16 | 59.51 | 2.44 | 62.88 | 34.96 | 55.19 |

Totals may not add due to rounding

^{1/} Manitoba Agriculture

^{2/} AAFC forecast

^{3/} Saskatchewan Agriculture and Food

^{4/} Off-Board

* Wheat: 13.5% protein / Durum: 13% protein

CROP BUDGETS: 2000-2001

ALBERTA: Brown Soil Zone - stubble

| | Spring Wheat | Durum Wheat | Feed Barley ^{4/} | Polish Canola | Lentils | Kabuli Chick Peas |
|--|-----------------|----------------|------------------------------|------------------|---------------|----------------------|
| Variable Costs ^{1/} | \$/ha | | | | | |
| Seed (inc. treatment) | 17.29 | 17.91 | 14.82 | 22.23 | 49.40 | 172.90 |
| Fertilizer | 49.40 | 49.40 | 49.40 | 56.32 | 18.28 | 18.28 |
| Chemicals | 58.05 | 58.05 | 29.64 | 60.52 | 48.17 | 60.52 |
| Fuel | 14.82 | 14.82 | 14.82 | 14.82 | 14.82 | 14.82 |
| Repairs | 17.29 | 17.29 | 17.29 | 17.29 | 19.76 | 19.76 |
| Crop Insurance | 8.42 | 9.66 | 9.61 | 15.09 | 14.82 | 14.82 |
| Interest | 4.94 | 4.94 | 4.94 | 4.94 | 6.18 | 6.18 |
| Other | 13.59 | 13.59 | 13.59 | 13.59 | 13.59 | 13.59 |
| Total Variable Costs | 183.79 | 185.65 | 154.10 | 204.79 | 185.00 | 320.85 |
| Projected Returns ^{2/} | 1 CWRS* | 1 CWAD* | 1 CW | 1 CAN | 1 CAN | |
| Projected Yield (t/ha) | 1.48 | 1.48 | 1.72 | 0.78 | 1.10 | 1.20 |
| Projected Price (\$/t) | 148.00 | 143.00 | 95.00 | 233.00 | 350.00 | 460.00 |
| Projected Revenue (\$/ha) | 219.04 | 211.64 | 163.40 | 181.74 | 385.00 | 552.00 |
| Net Return (\$/ha) | 35.25 | 25.99 | 9.30 | -23.05 | 200.00 | 231.15 |

ALBERTA: Black Soil Zone

| | Spring Wheat | CPS Red Wheat | Feed Barley ^{4/} | Oats | Peas | Argentine Canola |
|--|-----------------|------------------|------------------------------|---------------|---------------|---------------------|
| Variable Costs ^{1/} | \$/ha | | | | | |
| Seed (inc. treatment) | 27.17 | 49.40 | 19.76 | 19.76 | 59.28 | 29.64 |
| Fertilizer | 75.46 | 75.46 | 75.46 | 75.46 | 49.65 | 94.60 |
| Chemicals | 54.34 | 54.34 | 54.34 | 23.47 | 66.69 | 79.04 |
| Fuel | 16.06 | 16.06 | 16.06 | 16.06 | 16.06 | 16.06 |
| Repairs | 24.70 | 24.70 | 24.70 | 24.70 | 27.17 | 24.70 |
| Crop Insurance | 7.26 | 7.76 | 6.67 | 8.03 | 7.78 | 11.95 |
| Interest | 4.94 | 4.94 | 4.94 | 4.94 | 4.94 | 6.18 |
| Other | 13.59 | 13.59 | 13.59 | 13.59 | 13.59 | 13.59 |
| Total Variable Costs | 223.51 | 246.23 | 215.51 | 185.99 | 245.15 | 275.75 |
| Projected Returns ^{2/} | 2 CWRS* | 1 CPS | 1 CW | 3 CW | 3 CAN | 1 CAN |
| Projected Yield (t/ha) | 2.60 | 3.05 | 3.20 | 2.50 | 2.50 | 1.55 |
| Projected Price (\$/t) | 143.00 | 110.00 | 95.00 | 80.00 | 145.00 | 233.00 |
| Projected Revenue (\$/ha) | 371.80 | 335.50 | 304.00 | 200.00 | 362.50 | 361.15 |
| Net Return (\$/ha) | 148.29 | 89.27 | 88.49 | 14.01 | 117.35 | 85.40 |

ONTARIO

| | SWW Wheat | HRW Wheat | Feed Barley | Grain Corn | Soybeans | White Pea Beans |
|--|---------------|---------------|----------------|---------------|---------------|--------------------|
| Variable Costs ^{3/} | \$/ha | | | | | |
| Seed (inc. treatment) | 86.45 | 107.69 | 61.75 | 121.03 | 91.39 | 81.51 |
| Fertilizer | 115.35 | 143.26 | 102.51 | 200.07 | 28.90 | 43.22 |
| Chemicals | 12.35 | 12.35 | 85.22 | 122.27 | 103.74 | 96.33 |
| Fuel | 25.94 | 25.94 | 34.58 | 43.22 | 33.35 | 39.52 |
| Repairs | 44.46 | 44.46 | 49.40 | 46.93 | 39.52 | 61.75 |
| Crop Insurance | 14.94 | 14.94 | 11.86 | 19.76 | 15.93 | 41.13 |
| Interest | 12.35 | 22.23 | 12.35 | 29.64 | 17.29 | 19.76 |
| Other | 12.92 | 12.67 | n/a | 2.91 | 1.85 | n/a |
| Total Variable Costs | 324.75 | 383.54 | 357.66 | 585.83 | 331.97 | 383.22 |
| Projected Returns ^{2/} | 1 CEWW | 1 CERW | | 2 CE | 2 CW | 1 CAN |
| Projected Yield (t/ha) | 4.27 | 4.02 | 3.19 | 7.28 | 2.65 | 1.70 |
| Projected Price (\$/t) | 105.00 | 115.00 | 107.00 | 115.00 | 235.00 | 520.00 |
| Projected Revenue (\$/ha) | 448.35 | 462.30 | 341.33 | 837.20 | 622.75 | 884.00 |
| Net Return (\$/ha) | 123.60 | 78.76 | -16.33 | 251.37 | 290.78 | 500.78 |

Totals may not add due to rounding

^{1/} Alberta Agriculture, Food and Rural Development

^{2/} AAFC forecast

^{3/} Ontario Ministry of Agriculture, Food and Rural Affairs

^{4/} Off-Board

* Wheat: 13.5% protein / Durum: 13% protein

US last spring. However, due to poor growing conditions in the US, durum prices remained very strong in 1999-2000 with a \$38 per tonne (t) premium to spring wheat. The Market Analysis Division is forecasting a major decrease in durum prices for 2000-2001, with the premium to Canada Winter Red Spring wheat falling to \$10/t. However, planting decisions for 2000-2001 are expected to be strongly influenced by the strong durum prices which have prevailed in 1999-2000. In the southern Prairies, a decrease in spring wheat area due to a shift into durum is expected. However, in the more northerly regions, this will be more than offset by a shift into spring wheat from oilseeds.

Despite relatively low projected net returns for feed barley, area seeded to **barley** in Western Canada is forecast to increase slightly from 1999 to 4.3 Mha, due to strong domestic demand from a growing livestock sector and good projected returns from malting barley. Exports are also expected to increase slightly, although the exportable surplus will again be limited by domestic demand. Two row malting barley prices are expected to decrease slightly but six row malting barley prices are expected to decrease by a greater extent assuming that US production returns to normal. Area seeded to **oats** in Western Canada is projected to remain flat at about 1.8 Mha in 2000-2001 despite relatively poor projected net returns.

The global price outlook for **oilseeds** in Canada is expected to remain weak, similar to 1999-2000, largely driven by the US soybean and soybean market. US soybean supplies are expected to be burdensome in 2000-2001 due to high carry-in stocks and increased production. Vegetable oil prices are expected to remain historically weak.

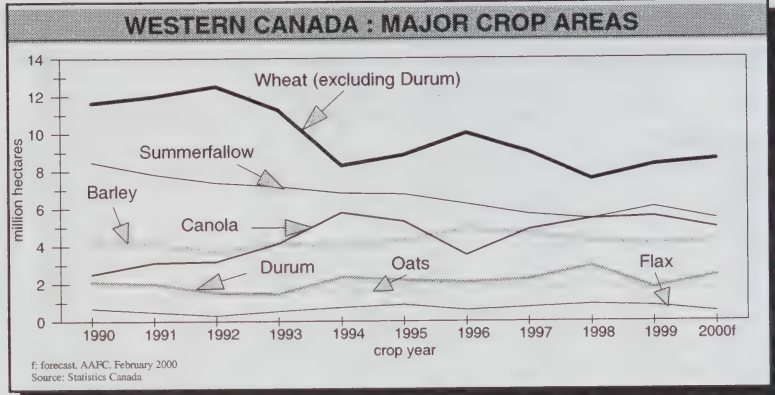
Canola area is projected to decrease by 11% to 5.0 Mha in Western Canada, due to declining canola prices. However, the area seeded to canola is expected to remain higher than warranted by current returns due to its historic role as a cash crop and its role as a key crop within the crop rotation. Although canola prices have been historically low in 1999-2000, a large number of producers are expected to continue to plant the 'Cinderella' crop.

Flaxseed area is forecast to decrease by about 40% to 0.5 Mha in 2000, due to its relatively weak projected net return. Prices for flaxseed have been weak for two years in a row which, in conjunction with increased carry-in stocks, is expected to create a bearish outlook for producers. Carry-in stocks are expected to triple in 2000-2001 to near record highs.

Special Crops

In Western Canada, area seeded to special crops in 2000 is expected to increase by about 10% to 2.4 Mha. Area seeded to **dry peas** and **lentils** are forecast to each increase by 15% to 0.98 Mha, and 0.58 Mha, respectively. The increase in dry pea area can be attributed to a switch from canola and the importance of peas in crop rotations. For lentils, high projected net returns as compared to other crops are expected to result in higher seeded area in 2000. For **mustard seed**, area is forecast to decrease by 5% to 0.27 Mha because of high carry-in stocks. Prices have declined significantly from 1998-1999, however, net return compared to other crops is still favourable. Oriental and brown mustard have higher yields but usually slightly lower price versus yellow mustard. Due to large carry-in stocks, area seeded to **canary seed** is forecast to decrease by 5% to 0.14 Mha.

Summerfallow area has been steadily declining since 1988, reaching a low of 5.4 Mha in 1998, because new technology, especially herbicide, has allowed for continuous cropping. Also the increased availability of alternative crops, some of which are nitrogen-fixing, and the use of crop rotation, has decreased the producers' reliance on summerfallow. In 1999, however, wet conditions in southwestern Manitoba and southeastern Saskatchewan prevented large areas of land from being seeded, and this land had to be left fallow. As a result, summerfallow area rose by 11% in 1999, to 6.1 Mha, the highest since 1996. Assuming normal moisture conditions in the spring of 2000, summerfallow area is expected to decline to 5.4 Mha. If conditions are excessively dry, the area could be higher than expected. Many farmers, especially in southern Saskatchewan, will not risk seeding a crop into stubble land if there is little available moisture at the time of seeding.



Ontario

Area seeded to **winter wheat** in the fall of 1999 remained flat at 0.29 Mha. Expected net returns for winter wheat are lower than for other crops such as white beans, soybeans, and grain corn. However, winter wheat is a rotation crop for many Ontario farmers, with seeded area dependent on fall seeding conditions. Spring wheat plantings, mostly in Eastern and Northern Ontario, are expected to decrease by 5% for 2000 to 29,000 hectares (ha) due to the projected better net returns of corn and soybeans.

Area seeded to **corn**, and **soybeans** is expected to remain flat at 0.74 Mha and 0.86 Mha, respectively. Although soybean area has been steadily increasing over the years, climatic conditions and crop rotation considerations remain the major limiting factors to any further increases in soybean area.

Although the expected net return is the highest for **white beans** in Ontario, the area seeded to white beans is forecast to decrease by 10% to 31,000 ha. This is due to the relative decrease from the net margin that was forecast in the spring of 1999. The current projected net return is not high enough to cover the increased

production and price risks associated with beans. **Coloured bean** area is also expected to decrease by 5% to 19,300 ha.

SUMMARY

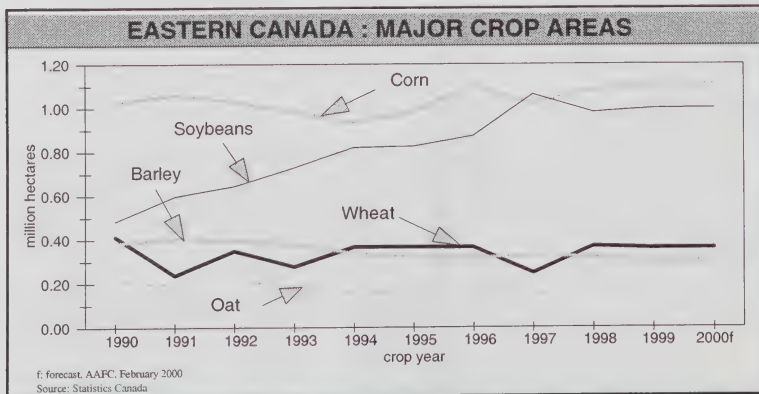
To summarize, in **Western Canada**, area is expected to shift out of oilseeds into durum wheat, barley, spring wheat, and certain special crops. Area left in summerfallow is expected to return to the 1998-99 level, assuming a return to normal precipitation levels. Although yielding a comparatively higher return than most other crops, net returns for spring wheat remain historically low. In **Eastern Canada**, area seeded in 2000-2001 is forecast to remain similar to last year.

For more information please contact:

Deanna Harrison,
Market Analyst
Phone: (204) 983-8474
E-mail: harrisonsd@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>



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Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

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June 2, 2000

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CANADA: HOGS AND CATTLE SITUATION AND OUTLOOK

HOGS AND PORK

Canadian hog inventories decreased 1.25% in 1999. Hog slaughter for the first quarter of 2000 was up 4% compared to a year ago because of an increase in demand by the Canadian packers resulting in a decrease in live hog exports. Hog prices increased over 48% in the first quarter of 2000 compared to record lows a year ago. The annual price for 2000 is expected to average near \$170 per hundred kilograms (/ckg), while in 2001 prices are forecast to average near \$154/ckg. Both pork production and pork exports are expected to increase in 2000 and 2001 based on an increase in domestic slaughter capacity.

US PRODUCTION AND PRICES

According to the USDA *Hogs and Pigs* report of March 2000, US inventories of all hogs and pigs, at 58.1 million head (mln hd) on March 1, 2000, were 3% lower than a year ago. US hog producers intend to have 2.87 million sows farrow between March and May 2000, 4% below the actual farrowings during the same period in 1999. Intended farrowings between June and August 2000, at 2.85 million sows, are 2% lower than the same period a year ago. Between March 1, 1999 and 2000, breeding inventory, at 6.22 mln hd, was down 5%, and market hog inventory, at 51.9 mln hd, was down 3%. Imports of slaughter hogs from Canada declined 23% in 1999 compared to 1998 as a result of increased domestic slaughter capacity in Canada. Live hog imports from Canada are likely to decline further in 2000 and 2001.

As a result of a decline in hog inventories, US pork production is likely to fall to 18,650 million pounds (mln lb) in 2000, registering a decline of about 3% compared to 1999. Low feed prices and continuing expansion of the larger vertically integrated operations will likely moderate the decline in production resulting from the exit of smaller high cost operations. US pork exports are expected to increase slightly to approximately 1,200 mln lb and imports are expected to increase to about 875 mln lb in 2000. Per capita pork consumption is expected to decline about 5% to 51.7 lb in 2000. This decline is at the expense of an expected increase in per capita consumption of chicken from 77.5 lb in 1999 to 80.8 lb in 2000.

According to the USDA report, reduced pork production is expected to lead to a significant price gain in 2000. Hog prices are currently in the mid-US\$40 per hundredweight (/cwt), up about US\$7/cwt from a year ago. Major pork cuts are exhibiting price strength, boosting the pork carcass cutout prices nearly 40% from a year ago. Pork bellies are exhibiting the largest year-over-year increase, about 80% above a year ago. The 2000 annual hog price is expected to average around US\$47/cwt. Hog prices are expected to be in the low US\$50/cwt range through the third quarter, and then drop to the low US\$40/cwt in the last quarter as supplies increase seasonally.

CANADIAN HOG PRICES

The bottom of the hog price cycle occurred in 1998 and peak prices are expected to occur in mid-2000. Canadian hog prices follow US prices but at a lower rate since Canada is a net exporter of hogs (Figure 1). On average, Canadian hog prices increased over 48% in the first quarter of 2000 compared to a year ago. The growing popularity of bacon-topped sandwiches at various restaurants is boosting live hog and retail pork prices. It is hard to predict how much longer bacon prices will remain high. Normally, bacon demand is strongest during the summer. In 2000, the Ontario Index 100 hog price is expected to average around \$173/ckg, registering a 44% increase compared to the 1999 average price. The Ontario Index 100 price, however, is expected to decline about 9% in 2001, averaging in the mid to upper \$150/ckg. The Alberta Index 100 hog price is expected to increase to \$167/ckg in 2000 but decrease to \$151/ckg in 2001. Price projections are based on the assumption that the Canadian dollar will continue to appreciate from approximately \$1.45 to \$1.40 Canadian to one US dollar between the first quarter of 2000 and the fourth quarter of 2001.

these ratios are expected to decline slightly. Continued restructuring of hog farms into larger units is expected to allow operations to remain profitable in 2000 and 2001.

INVENTORIES AND MARKETINGS

Statistics Canada reported that total hog inventories as of January 1, 2000, decreased to 12,254 thousand head (k hd), 1.25% lower than January 1, 1999. Canadian hog inventories are expected to be about 12,466 k hd at the beginning of the fourth quarter of 2000 and increase to about 13,192 k hd in another one

FIGURE 1: HOG PRICES

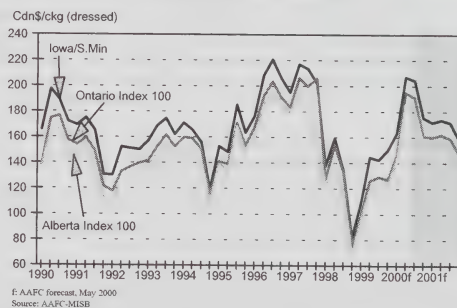
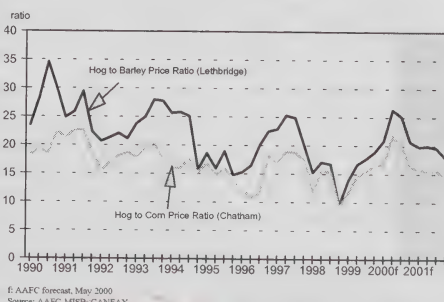


FIGURE 2: CANADA - HOG/FEEDGRAIN PRICE RATIOS



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year period. Comparing January 1 inventories, 2000 versus 1999, Quebec, Newfoundland, New Brunswick and Saskatchewan showed a marginal increase in their inventories. Total pig inventories increased 29.6 k hd in Eastern Canada but decreased 185.1 k hd in Western Canada (Figure 3). Quebec's pig inventory, at 3.7 mln hd, was the largest in Canada but increased less than 1% compared to January 1, 1999 inventory.

According to Statistics Canada, sows farrowed in the first quarter (January-March) of 2000 were 3.6% higher than a year earlier. These hogs should show up in mid to late 2000. Farrowing intentions for the second quarter (April-June) of 2000 increased 2.4% over the same period a year ago mainly due to continued high hog prices in 2000.

Hog marketings are expected to reach 23,784 k hd in 2000 (including exports of piglets), an annual increase of 3.3%, and marketings for 2001 are expected to increase another 5.5%. Higher farrowing intentions in the second quarter of 2000 will result in a moderate increase in inventories and marketings in late 2000.

DOMESTIC SLAUGHTER AND HOG EXPORTS

Recent expansion in production and slaughter capacity is expected to lead to a 5% increase in the total hog slaughter from 18.9 mln hd to 19.9 mln hd between 1999 and 2000 respectively. In the absence of any strikes or lockouts in the Canadian pork packing industry, hog slaughter is expected to increase 8% in 2001 to 21.6 mln hd. Several processing plants have either increased or will increase their slaughter capacity to compete for a share of the potential increase in hog supply.

As a result of an increase in domestic slaughter capacity, exports of slaughter hogs are expected to decline in 2000 and 2001. The Maple Leaf Food's Brandon hog-kill plant opened in September 1999 and is approaching its annual slaughter capacity of 2.3 million hogs more

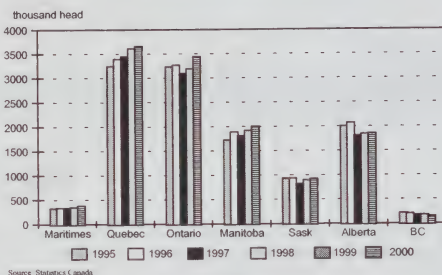
quickly than planned. The take over of J.M. Schneider Inc. by US processor Smithfield Foods was completed in 1999. Late in 1999, Schneider announced plans to triple the capacity of its two-year-old Winnipeg hog plant from 30,000 head a week to 90,000 head (or 1.6 mln hd to 4.7 mln hd/year) at a cost of \$125 million by 2003. This increase in domestic slaughter capacity has led to a sharp decline in live hog exports to the US. Canadian live slaughter hog exports were 464 k hd in the first quarter of 2000, down 15% from the first quarter of 1999. Weaner pig exports, on the other hand, were 543 k hd, up 20% compared to the same period a year earlier. Weaner pig exports to the US are likely to increase further since the US farrow-to-finish operations are becoming "finishing-only" operations as a result of cheap feedgrain and fewer labour requirements. To keep their barns full, the US operations are drawing weaner hogs from Canada.

Compared to a year ago, the first-quarter 2000 hog slaughter was up 1.4% in Eastern Canada and 7.8% in Western Canada. Quebec slaughtered the largest number of pigs (1.7 mln hd) followed by Ontario (1.3 mln hd) in the first quarter of 2000. Total Canadian hog slaughter was up 3.7% in the first quarter of 2000 compared to the same time period a year ago. Hog slaughter during the remainder of 2000 is expected to be up as a result of an increase in Canadian processors' demand leading to a decrease in live hog exports to the US. Due to recent investments in larger, state-of-the-art slaughtering plants, Canadian slaughter capacity will continue to increase at least until 2003.

PORK PRODUCTION AND EXPORTS

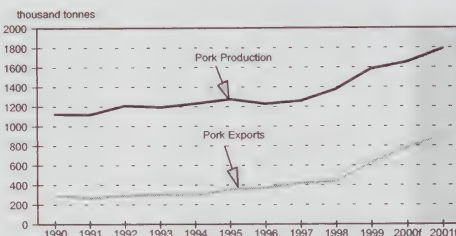
Canadian pork production has increased about 15%, from 1.4 million tonnes (Mt) to 1.6 Mt in

FIGURE 3: CANADA (JANUARY 1) - TOTAL HOG INVENTORIES



Source: Statistics Canada

FIGURE 4: CANADA - PORK PRODUCTION AND EXPORTS



f: AAFC forecast, May 2000
Source: Statistics Canada

1999. As a result of increased slaughter, pork production is expected to increase 4% in 2000 and another 8% in 2001 (Figure 4). At the same time, because of an expected increase in pork price, per capita consumption of pork in Canada may decline marginally. However, total domestic pork disappearance will increase about 1% between 2000 and 2001 due to the increasing population. Pork exports have increased significantly over the years. As a result of an increase in pork production, pork exports are expected to increase 24% in 2000 and 17% in 2001.

CANADA: HOG AND PORK SUPPLY AND DISPOSITION

| | 2000f | | | | 2001f | | | | Annual | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | 1999 | 2000f | 2001f |
| thousand head | | | | | | | | | | | |
| Beg. Inventory Hogs | 12,254 | 12,186 | 12,515 | 12,466 | 12,624 | 12,688 | 12,997 | 13,192 | 12,409 | 12,254 | 12,624 |
| Hog Marketings (incl. < 50 kg) | 5,929 | 5,673 | 6,104 | 6,078 | 6,249 | 6,115 | 6,328 | 6,409 | 23,028 | 23,784 | 25,101 |
| Hog Slaughter | 4,973 | 4,735 | 5,106 | 5,077 | 5,355 | 5,263 | 5,427 | 5,504 | 18,900 | 19,891 | 21,549 |
| Hog Exports: < 50 kg | 493 | 537 | 534 | 530 | 523 | 531 | 530 | 528 | 2,106 | 2,094 | 2,112 |
| Hog Exports: > 50 kg | 463 | 401 | 464 | 470 | 371 | 321 | 371 | 376 | 2,030 | 1,798 | 1,439 |
| Total Hog Exports | 956 | 938 | 998 | 1,000 | 894 | 852 | 901 | 904 | 4,136 | 3,892 | 3,551 |
| thousand tonnes (cold carcass equivalent) | | | | | | | | | | | |
| Pork Production | 413 | 393 | 424 | 421 | 444 | 437 | 450 | 457 | 1,582 | 1,651 | 1,788 |
| Pork Exports | 190 | 184 | 207 | 200 | 219 | 225 | 231 | 233 | 631 | 781 | 908 |
| Domestic Disappearance | 240 | 226 | 234 | 239 | 243 | 229 | 237 | 242 | 929 | 939 | 951 |
| PRICES | | | | | | | | | | | |
| Ontario Index 100 {Dressed (\$/cwg)} | 146 | 195 | 191 | 161 | 160 | 162 | 159 | 147 | 120 | 173 | 157 |
| Alberta Index 100 {Dressed (\$/cwg)} | 142 | 186 | 182 | 156 | 154 | 156 | 153 | 141 | 114 | 167 | 151 |
| Iowa/South Minn. {Live (\$US/cwt)} | 41 | 52 | 51 | 44 | 43 | 44 | 44 | 41 | 33 | 47 | 43 |

f: AAFC forecast, May 2000

Source: Statistics Canada and AAFC, MISB

CATTLE AND BEEF

The Canadian cattle cycle is in the contraction phase and as a result, the cattle herd has declined for the third consecutive year. Estimated total cattle and calves inventories decreased about 2% in 1999. Both beef production and beef exports are expected to increase in 2000 and 2001 based on an increase in domestic slaughter. Live cattle prices for the remainder of 2000 and into 2001 are expected to remain strong as a result of tight supplies.

US PRODUCTION AND PRICES

The Cattle report released by the National Agricultural Statistical Service (NASS), USDA, on January 28, 2000, reported that total cattle and calves inventories on January 1, 2000 were 98 million, 1% below January 1, 1999 and 2% two years ago. The January 1, 2000 survey of cattle producers indicated that beef replacement heifers and beef cows were down 4% and 1% respectively. Steers weighing 500 lb or over, at 16.7 mln hd, are down 1%.

According to the USDA Cattle on Feed report of March 17, 2000 cattle and calves on feed for slaughter market in the US for feedlots with capacity of 1,000 or more head totalled 11.3 mln hd on March 1, 2000. Inventories were up 9% from the 10.4 mln hd on March 1, 1999. According to the USDA, feeder cattle supplies outside feedlots on January 1, 2000 were down 5% compared to a year earlier. The number of heifers on feed and heifer slaughter remain historically high but are likely to decline sharply as producers retain more heifers for the breeding herd, but it is unlikely that this will slow production until fall 2000. Fed cattle marketings will remain at record levels through the summer of 2000. Although cow slaughter remains well below a year ago, slaughter weights continue to be record heavy and add to production because of cheap feedgrains.

FIGURE A:
SLAUGHTER STEER PRICES

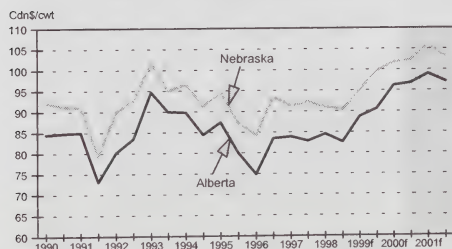
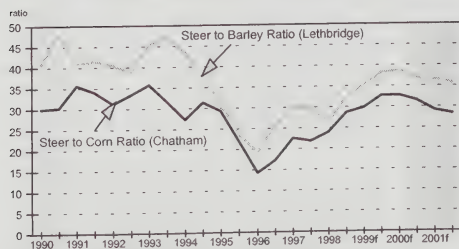


FIGURE B: CANADA -
STEER/FEEDGRAIN PRICE RATIOS



The decline in cattle numbers during the past several years will lead to a decline in beef production in 2000. According to the USDA, beef production is expected to rise in the first two quarters and fall in the remaining two quarters of 2000 compared to the same time period in 1999. Annual beef production is expected to decrease about 1% in 2000. Beef exports increased 8% between 1998 and 1999 but are unlikely to change in 2000. Imports, however, are expected to increase 5% in 2000 compared to the 1999 levels.

The USDA forecasts that the 2000 price of choice steers in Nebraska is expected to average about 8% above (US\$71/cwt) the 1999 price. This increase is primarily due to a stronger demand than supply of cattle. First-quarter prices of choice steers in Nebraska, at US\$68-69/cwt, are also expected to be about 8% higher than a year ago. The USDA expects stronger feeder prices as well. The 2000 price of feeder steers is expected to average near the US\$90/cwt range.

CANADIAN CATTLE PRICES

Canadian cattle prices closely follow US prices (Figure A). Average annual cattle prices are expected to rise in 2000 as the impact of herd liquidation takes effect, causing supplies to decline. Compared to 1999, the 2000 average slaughter steer prices are expected to increase 11 and 8% respectively for Ontario and Alberta. Compared to a year ago, the average feeder steer prices in 2000 are expected to be about 7% higher in both Ontario and Alberta. Average slaughter and feeder steer prices are expected to remain strong in 2001.

STEER TO FEEDGRAIN PRICE RATIOS

The steer to feedgrain price ratio is a good economic indicator of profitability. Figure B shows that the steer to feedgrain price ratios were quite high in the early 1990s indicating high profitability. These ratios were lowest in the first half of 1996 but have shown significant improvement since. The ratios are expected to stay relatively stable in 2000 but may decline slightly in 2001 due to an expected increase in feedgrain prices and stable cattle prices.

INVENTORIES AND MARKETINGS

The cattle industry is currently going through a cyclical contraction. Following its peak in 1996, cattle inventories declined steadily.

According to Statistics Canada, the cattle herd has declined for the third consecutive year. Estimated total cattle and calves inventories at January 1, 2000 were 12.7 mln hd, a decrease of about 2% from January 1999. Beef cow numbers were down 1% while replacement beef heifers were down 0.5%, which indicates that producers reduced their herd at a relatively slower pace but are not yet ready to increase the breeding herd. Cattle and calves inventories between January 2000 and January 2001 are expected to remain unchanged. However, it is expected that producers will begin to retain heifers for the breeding herd beginning the fourth quarter of 2000.

Cattle marketings in 1999 were down 4% compared to a year earlier. Marketings are expected to decline about 5% in both 2000 and 2001.

DOMESTIC SLAUGHTER AND CATTLE EXPORTS

As a result of recent investments in Canadian slaughter facilities, domestic cattle slaughter increased about 6% in 1999. Domestic slaughter is expected to slow down in 2000 and 2001 as a result of a decline in marketings. These low marketings are expected to raise cattle prices which might lead to a reduction in packer margin and thus a lower demand for slaughter cattle by the packers. Annual cattle slaughter is expected to be 3.59 mln hd in 2000 and 3.57 mln hd in 2001 (Figure C). The effect of declining cattle inventories on total slaughter is expected to be minimized by increased Canadian demand for fed cattle resulting in lower cattle exports. This increase in fed cattle demand is due to expansion in plant size.

A petition filed by Ranchers-Cattlemen Action Legal Fund (R-CALF) alleged that Canadian cattle were being dumped (sold at prices below actual production cost) into the US market in 1998. Hence, the US Department of Commerce (DOC) imposed a preliminary anti-dumping duty on slaughter and feeder cattle exported to the US in the summer of 1999. The duty collected on live Canadian cattle exported to the US (not including breeding cattle) was increased from 4.73% to 5.57% of value as of July 23, 1999. The DOC ruled in October 1999 that Canadian cattle producers are not unfairly subsidized. The US International Trade Commission ruled in November 1999, that Canadian exports do not harm the US cattle industry and as a result the anti-dumping duty was subsequently abolished. Paid duties are being refunded to either US brokers or Canadian producers depending on who was registered as the "importer of record".

CANADA: CATTLE AND BEEF SUPPLY AND DISPOSITION

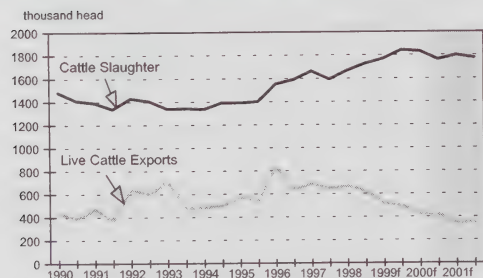
| | 2000f | | 2001f | | Annual | | |
|--|---|-------------------|------------------|-------------------|--------|--------|--------|
| | January -June | July -December | January -June | July -December | 1999 | 2000f | 2001f |
| Cattle and Calves | thousand head | | | | | | |
| Beginning Inventory | 12,655 | 14,138 | 12,640 | 14,300 | 12,870 | 12,655 | 12,640 |
| Slaughter (cattle) | 1,831 | 1,761 | 1,799 | 1,775 | 3,615 | 3,592 | 3,574 |
| Exports (cattle) | 424 | 418 | 347 | 353 | 1,011 | 842 | 700 |
| Marketings (cattle) | 2,150 | 2,054 | 2,006 | 1,977 | 4,445 | 4,204 | 3,983 |
| Beef | kilograms | | | | | | |
| Average Cold Carcass Weight | 344 | 349 | 350 | 350 | 338 | 347 | 350 |
| | thousand tonnes (cold carcass equivalent) | | | | | | |
| Production | 629 | 614 | 630 | 621 | 1,223 | 1,243 | 1,251 |
| Exports | 280 | 269 | 288 | 272 | 487 | 549 | 560 |
| Imports | 119 | 118 | 117 | 116 | 238 | 237 | 233 |
| Domestic Disappearance | 468 | 465 | 465 | 464 | 974 | 933 | 929 |
| Prices | \$/cwt live | | | | | | |
| Ontario Steers | 103 | 103 | 106 | 103 | 93 | 103 | 105 |
| Alberta Steers | 96 | 97 | 99 | 97 | 90 | 97 | 98 |
| Nebraska Steers (US\$) | 70 | 71 | 74 | 73 | 66 | 71 | 74 |
| Ontario Feeder Steers (500-600 lb) | 137 | 128 | 136 | 128 | 124 | 133 | 132 |
| Alberta Feeder Steers (500-600 lb) | 145 | 136 | 139 | 133 | 130 | 140 | 136 |
| Oklahoma Feeder Steers (500-600 lb) US\$ | 92 | 87 | 93 | 89 | 81 | 90 | 91 |

f: AAFC forecast, May 2000

Source: Statistics Canada and AAFC, MISB

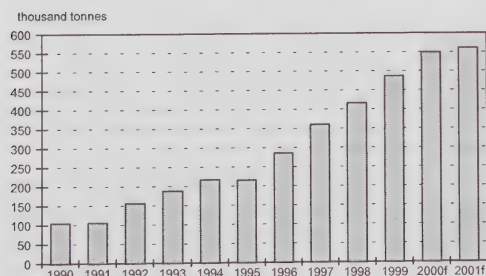
Canadian live cattle exports declined 22% in 1999 compared to 1998 due to an increase in domestic slaughter capacity which increased the demand by the Canadian processors. Annual live cattle exports are forecast to decline 17%,

FIGURE C: CANADA - CATTLE SLAUGHTER AND LIVE EXPORTS



f: AAFC forecast, May 2000
Source: Statistics Canada

FIGURE D: CANADA - BEEF EXPORTS



f: AAFC forecast, May 2000
Source: Statistics Canada

from about 1 mln hd in 1999 to about 840 k hd in 2000. Improved efficiency and increased slaughter capacity in Canada will also contribute to a decline in live cattle exports in the future.

Also, as a result of the Northwest Cattle Project, imports of feeder cattle from the US increased sharply in 1999 and are expected to continue to increase in 2000 and 2001. The Northwest Cattle Project, aimed at facilitating trade in live cattle, was proposed by the Canadian Cattlemen's Association and was initiated in late-1997.

BEEF PRODUCTION AND EXPORTS

Beef production for 1999 increased 8% compared to a year ago as a result of increased slaughter. However, beef production is expected to increase only about 2% in 2000 compared to 1999. As a result of an expected decline in cattle supply related to the cattle cycle, annual beef production is forecast to increase less than 1% in 2001.

Beef exports in 1999 increased over 17% and are expected to increase about 13% in 2000. With a slight increase in carcass weight and thus production, beef exports are expected to increase about 2% in 2001 (Figure D). Beef disappearance was up 2% in 1999. However, it is expected to decline slightly in 2000 and then remain relatively flat in 2001.

For more information, please contact:
Economic and Policy Analysis Directorate

Dr. Raman Srivastava
Research Economist
Phone: (613) 759-7436
Fax: (613) 759-7036
E-mail: srivasr@em.agr.ca

Prepared in collaboration with:

Randy Kroeker, Economist
and
Gord Fetterly, Commodity Officer

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

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Market Analysis Division,
Policy Branch,
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Agriculture and Agri-Food Canada.
500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

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AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Policy Branch - Market Analysis Division - Winnipeg, Manitoba
CANADIAN GRAINS AND OILSEEDS OUTLOOK June 1, 2000

In western Canada, seeding is nearly complete and overall progress is about ten days ahead of normal. Subsoil moisture is generally adequate, but topsoil moisture is low across most of Saskatchewan and Alberta, and timely rains will be needed. In eastern Canada, above-normal rainfall and below-normal temperatures have delayed seeding operations and may contribute to increased disease pressure.

This report is a minor update of the May 1, 2000 report, based on the Statistics Canada's (STC) March 31 stocks survey and more current export and price data. For 2000-01, assuming normal yields, AAFC forecasts that production of grains and oilseeds in Canada will decrease by 4%, to about 63 million tonnes (Mt). The STC seeding intentions survey, conducted during late March and released on April 20, indicated that farmers in western Canada intend to increase area seeded to durum wheat, barley and special crops, and decrease area seeded to spring wheat, canola and flaxseed. In eastern Canada, the area seeded to corn is expected to increase from 1999, with wheat and soybean areas relatively unchanged and dry bean area declining.

Despite increases in exports of durum, barley and flaxseed, total exports of grains and oilseeds are forecast to decline by about 4%, due to a decrease in spring wheat exports. Canadian spring wheat prices are forecast to be higher than in 1999-00, while durum prices are expected to decline slightly. Coarse grain prices are forecast to be unchanged to slightly lower. Oilseed prices are forecast to decline to historically low levels.

WHEAT (ex-durum)

Canadian intended area is 8% below 1999, the second lowest level since 1972, and production is forecast by AAFC to fall by 15%. This will be partially offset by larger carry-in stocks. Domestic use is expected to decline due to lower feed use, resulting from reduced wheat supplies and increased supplies of barley. Exports are projected to decline sharply to the second lowest level since the 1988-89 drought year. Carry-out stocks are forecast to fall to near-pipeline levels, similar to 1998-99. The May Canadian Wheat Board (CWB) 2000-01 Pool Return Outlook (PRO) for No.1 CWRS is \$169-199/t in-store Vancouver/St. Lawrence, up \$11/t from April, with the midpoint \$18/t above the 1999-00. Protein premiums are now expected to be slightly smaller than in 1999-00, mainly due to the early seeding of both US and Canadian spring wheat crops. Ontario wheat production is forecast to decline by 7% to 1.4 Mt, due to a return to normal yields. The Ontario Wheat Producers' Marketing Board's Estimated Pool Return for No.1 CEWW wheat is \$105-115/t, terminal or processor position, unchanged from 1999-00.

DURUM

Production is forecast to rise to the second highest level on record due to a 39% increase from the lower-than-normal 1999 seeded area. This will be partially offset by lower carry-in stocks, but supplies are forecast to increase by 8%. Exports are projected to increase, due to strong demand resulting from drought in Algeria and Morocco. However, increases will be limited by increased competition from other exporters, and carry-out stocks are projected to increase. The May CWB PRO for No.1 CWAD is \$180-210/t, \$5/t higher than April, with the midpoint \$3/t below the 1999-00 PRO.

BARLEY

Production is forecast to rise dramatically, due to a 22% increase in intended area. Exports of feed barley are expected to increase significantly. For malting barley,

exports of two-row are also forecast to increase but exports of six-row will depend on the size and quality of the US barley crop. Domestic use is also forecast to increase due to larger supplies, lower prices and increased livestock numbers. Carry-out stocks are expected to be burdensome, and off-Board feed barley prices are forecast to decrease. The May CWB PRO for No.1 CW feed barley is \$116-146/t, \$5/t above April, with the midpoint \$1/t below 1999-00. Malting barley prices are expected to decrease from 1999-00 due to higher supplies in the US, Australia and western Canada. The CWB PRO for Special Select (SS) 2-Row Designated Barley is \$165-195/t, up \$3/t from April, with the midpoint \$9/t below 1999-00. The discount for SS 6-Row is \$20/t versus \$4/t for 1999-00.

OATS

Intended area is relatively unchanged, and production and supply are forecast to decrease slightly from 1999-00. Total exports to the US are expected to remain strong due to a continuation of low oat production in the US. Carry-out stocks are forecast to decrease which will support prices, but this is expected to be largely offset by appreciation of the Canadian dollar. The average WCE cash price is expected to remain unchanged from 1999-00.

CORN

Intended area is up by 14% from 1999-00, and, due to increased production and higher carry-in stocks, domestic supplies are forecast to increase considerably. This is expected to reduce imports and maintain exports at the strong 1999-00 level. Domestic use is forecast to increase due to increased ethanol production in Ontario and Quebec and slightly higher livestock feed demand. The Chatham corn price is expected to fall by \$5/t from 1999-00 due to pressure from a slightly lower Chicago corn price, forecast appreciation of the Canadian dollar and the reduction in the Chicago-Chatham basis caused by the decrease in net imports.

CANOLA

Intended area is down by 18%, the lowest level since 1996, mainly due to low prices. Production is expected to fall by 25% but supplies are forecast to decline by only 6% due to the record-high carry-in stocks. Domestic crush is expected to increase slightly. Exports are expected to remain stable, but are sensitive to Chinese demand, which is highly uncertain at this time. Imports from the US are expected to rise due to a major increase in US production related to the US loan deficiency program. Carry-out stocks are forecast to fall but they will be the second highest on record. Prices are expected to decrease due to lower US soyoil prices, historically low palm oil prices, and abundant world supplies of soybeans and rapeseed/canola.

FLAXSEED (excluding solin)

Intended area is down by 35%, the lowest level since 1993-94, due to low prices and high carry-in stocks. Although production is expected to decline by 33%, supplies are forecast to remain burdensome, which is expected to pressure prices downward. Exports are forecast to increase as production in the EU decreases from the high level of 1999-00. Average prices are expected to decline by about 5%.

SOYBEANS

Intended area is relatively unchanged, but due to lower expected yields, production is forecast to decrease slightly. This is expected to lead to an increase in imports. Domestic crush and exports are expected to remain near current record highs. Prices are forecast to decline by 5-15% due to the expected large US supplies for 2000-01.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains....Dennis Jackson.....983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mail.....beckmac@em.agr.ca
Fred Oleson, Chief.....983-0807
E-mailolesonf@em.agr.ca
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CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

JUNE 1, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1998-1999 | 2,914 | 2.07 | 6,042 | 3 | 6,802 | 3,851 | 182 | 651 | 1,003 | 1,948 | 201 |
| 1999-2000f | 1,760 | 2.42 | 4,259 | 10 | 6,217 | 3,600 | 185 | 602 | 1,017 | 1,600 | 198 * |
| 2000-2001f | 2,430 | 2.11 | 5,135 | 1 | 6,736 | 3,900 | 185 | 631 | 1,036 | 1,800 | 180-210 * |
| Wheat Except Durum | | | | | | | | | | | |
| 1998-1999 | 7,764 | 2.32 | 18,034 | 77 | 23,363 | 10,872 | 2,660 | 3,417 | 6,904 | 5,587 | 184.08 |
| 1999-2000f | 8,603 | 2.63 | 22,591 | 10 | 28,188 | 15,000 | 2,700 | 3,713 | 7,188 | 6,000 | 166 * |
| 2000-2001f | 7,830 | 2.46 | 19,245 | 10 | 25,255 | 12,700 | 2,725 | 3,590 | 7,155 | 5,400 | 169-199 * |
| All Wheat | | | | | | | | | | | |
| 1998-1999 | 10,678 | 2.25 | 24,076 | 80 | 30,165 | 14,723 | 2,842 | 4,068 | 7,907 | 7,535 | |
| 1999-2000f | 10,364 | 2.59 | 26,850 | 20 | 34,405 | 18,600 | 2,885 | 4,315 | 8,205 | 7,600 | |
| 2000-2001f | 10,260 | 2.38 | 24,380 | 11 | 31,991 | 16,600 | 2,910 | 4,221 | 8,191 | 7,200 | |
| Barley | | | | | | | | | | | |
| 1998-1999 | 4,272 | 2.98 | 12,709 | 55 | 15,223 | 1,695 | 375 | 10,034 | 10,791 | 2,737 | 117 |
| 1999-2000f | 4,069 | 3.24 | 13,196 | 25 | 15,958 | 2,550 | 410 | 10,193 | 11,058 | 2,350 | 105-115 |
| 2000-2001f | 4,977 | 3.09 | 15,395 | 15 | 17,760 | 3,300 | 460 | 10,545 | 11,410 | 3,050 | 90-120 |
| Corn | | | | | | | | | | | |
| 1998-1999 | 1,118 | 8.01 | 8,952 | 893 | 10,737 | 830 | 1,845 | 7,147 | 9,023 | 885 | 110 |
| 1999-2000f | 1,141 | 7.97 | 9,096 | 1,100 | 11,081 | 850 | 2,000 | 7,200 | 9,231 | 1,000 | 105-115 |
| 2000-2001f | 1,289 | 7.25 | 9,350 | 900 | 11,250 | 850 | 2,100 | 7,294 | 9,425 | 975 | 90-120 |
| Oats | | | | | | | | | | | |
| 1998-1999 | 1,592 | 2.49 | 3,958 | 3 | 4,807 | 1,491 | 226 | 1,815 | 2,228 | 1,088 | 132 |
| 1999-2000f | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,450 | 220 | 1,853 | 2,233 | 1,050 | 120-130 |
| 2000-2001f | 1,400 | 2.55 | 3,575 | 3 | 4,628 | 1,450 | 225 | 1,838 | 2,228 | 950 | 110-140 |
| Rye | | | | | | | | | | | |
| 1998-1999 | 204 | 1.96 | 398 | 0 | 462 | 80 | 57 | 139 | 215 | 166 | |
| 1999-2000f | 169 | 2.29 | 387 | 4 | 557 | 80 | 65 | 194 | 277 | 200 | |
| 2000-2001f | 104 | 2.17 | 225 | 1 | 426 | 75 | 65 | 140 | 226 | 125 | |
| Mixed Grains | | | | | | | | | | | |
| 1998-1999 | 198 | 2.77 | 548 | 0 | 548 | 0 | 0 | 548 | 548 | 0 | |
| 1999-2000f | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001f | 169 | 2.79 | 472 | 0 | 472 | 0 | 0 | 472 | 472 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1998-1999 | 7,384 | 3.60 | 26,565 | 952 | 31,777 | 4,096 | 2,503 | 19,682 | 22,805 | 4,876 | |
| 1999-2000f | 6,930 | 3.86 | 26,767 | 1,133 | 32,776 | 4,930 | 2,695 | 19,887 | 23,246 | 4,600 | |
| 2000-2001f | 7,939 | 3.65 | 29,017 | 919 | 34,536 | 5,675 | 2,850 | 20,289 | 23,761 | 5,100 | |
| Canola | | | | | | | | | | | |
| 1998-1999 | 5,421 | 1.41 | 7,643 | 157 | 8,163 | 3,900 | 3,063 | 382 | 3,631 | 633 | 373 |
| 1999-2000f | 5,564 | 1.58 | 8,798 | 150 | 9,581 | 3,800 | 2,900 | 639 | 3,581 | 2,200 | 280-300 |
| 2000-2001f | 4,548 | 1.45 | 6,600 | 250 | 9,050 | 3,800 | 3,100 | 510 | 3,650 | 1,600 | 255-295 |
| Flaxseed | | | | | | | | | | | |
| 1998-1999 | 874 | 1.24 | 1,081 | 6 | 1,128 | 720 | n/a | n/a | 247 | 161 | 313 |
| 1999-2000f | 793 | 1.32 | 1,049 | 2 | 1,212 | 450 | n/a | n/a | 262 | 500 | 230-250 |
| 2000-2001f | 516 | 1.36 | 700 | 5 | 1,205 | 600 | n/a | n/a | 255 | 350 | 205-245 |
| Soybeans | | | | | | | | | | | |
| 1998-1999 | 980 | 2.79 | 2,737 | 254 | 3,179 | 868 | 1,576 | 396 | 2,069 | 242 | 266 |
| 1999-2000f | 999 | 2.77 | 2,766 | 400 | 3,408 | 900 | 1,800 | 397 | 2,263 | 245 | 250-280 |
| 2000-2001f | 1,001 | 2.70 | 2,700 | 450 | 3,395 | 900 | 1,805 | 400 | 2,270 | 225 | 220-260 |
| Total Oilseeds | | | | | | | | | | | |
| 1998-1999 | 7,275 | 1.58 | 11,461 | 417 | 12,470 | 5,488 | 4,639 | 778 | 5,946 | 1,036 | |
| 1999-2000f | 7,357 | 1.71 | 12,613 | 552 | 14,201 | 5,150 | 4,700 | 1,036 | 6,106 | 2,945 | |
| 2000-2001f | 6,065 | 1.65 | 10,000 | 705 | 13,650 | 5,300 | 4,905 | 910 | 6,175 | 2,176 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1998-1999 | 25,336 | 2.45 | 62,102 | 1,448 | 74,411 | 24,307 | 9,983 | 24,528 | 36,658 | 13,447 | |
| 1999-2000f | 24,650 | 2.69 | 66,230 | 1,705 | 81,383 | 28,680 | 10,280 | 25,238 | 37,557 | 15,146 | |
| 2000-2001f | 24,264 | 2.61 | 63,397 | 1,635 | 80,178 | 27,575 | 10,665 | 25,420 | 38,127 | 14,476 | |

(a) Aug.-July crop year except corn and soybeans which are Sept. - Aug.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver):

Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (No. 3 CW, WCE cash Track Minneapolis); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB Pool Return Outlook: 1999-00, March, 2000; 2000-01, May, 2000.

f - Agriculture and Agri-Food Canada forecast June 2000.

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Policy Branch - Market Analysis Division - Winnipeg, Manitoba

CANADA: SPECIAL CROPS SITUATION AND OUTLOOK FOR 2000-2001 June 1, 2000

Seeding of special crops is complete in western Canada except for buckwheat, which should be complete in about 10 days. In general, the condition of the special crops is average. In Ontario and Quebec seeding of dry beans has been delayed by wet weather, however seeding in June is not unusual. Soils in some special crop growing areas of Saskatchewan and Alberta are dry and timely rains will be needed throughout the growing season, while there are areas of excessive moisture in Ontario and Quebec. Warmer temperatures are needed in all growing areas.

This report is a minor update of the April 28, 2000 report, based on more current export and price data. Some changes were made for dry peas, lentils, dry beans and sunflower seed. Production estimates are based mainly on the Statistics Canada's (STC) March seeding intentions survey, released on April 20. The seeded area estimate for special crops will be released by STC on June 29, 2000.

Area seeded to special crops in Canada is forecast to increase by 21%, due mainly to a higher seeded area for dry peas. The expected increase in area seeded to special crops resulted from a shift out of canola, flaxseed and spring wheat, because of higher anticipated net returns for special crops. Assuming normal yields, which in general are lower than the actual yields in 1999-2000, production is forecast to increase by 11%. However, total supply is expected to increase by 12% due to higher carry-in stocks. Exports are forecast to increase by 9% and domestic use by 3%. Carry-out stocks are forecast to increase by 48%. Average prices for dry peas, dry beans, mustard seed, canary seed and sunflower seed are expected to be similar to 1999-2000, while average prices for lentils, chick peas and buckwheat are expected to be lower.

DRY PEAS

Area seeded is forecast to increase by 44% largely because of a shift out of canola. Production is forecast to increase by 20%, as lower normal yields partly offset the increase in seeded area. Total supply is expected to increase by 19%. Exports are forecast to increase by 10%, as Canada's share of total world supply increases. Domestic use is forecast to increase by 10%, due mainly to expected increased use for feeding hogs. Carry-out stocks are forecast to increase, with a stocks-to-use (s/u) ratio of 16%. World production is expected to increase slightly, but total world supply is expected to be stable due to lower carry-in stocks. The average price over all types, grades and markets is forecast to be similar to 1999-2000, in line with the stable world supply.

LENTILS

Area seeded is forecast to rise by 17%, mainly because of a shift out of spring wheat. Production is forecast to increase by 7%, as the increase in seeded area is partly offset by lower normal yields. However, total supply is forecast to increase by 14% due to higher carry-in stocks. Exports are expected to increase because of strong world demand, but domestic use is forecast to remain stable. Carry-out stocks are forecast to increase, with a s/u ratio of 20%. World production and supply are forecast to increase by about 5%. The average price over all types and grades is forecast to fall by about 10%, as pressure from higher world supply and higher Canadian carry-out stocks offsets support from the expected higher average crop quality in Canada.

DRY BEANS

Area seeded is forecast to remain stable, with a slight increase for white pea beans and a slight decrease for coloured beans. Production is forecast to decrease by 5%, due to lower normal yields, with a 6% decrease for white pea beans to 135,000 t and a 4% decrease for coloured beans to 145,000 t. Total supply is expected to decrease only slightly because of higher carry-in stocks. Exports are forecast to remain stable, while domestic use increases slightly. Carry-out stocks are expected to decrease, with a s/u ratio of 6%. World production and total supply are expected to

remain stable. The average price, over all types and grades, is forecast to be similar to 1999-2000, in line with the stable world supply.

CHICK PEAS

Area seeded is forecast to increase by 16%, mainly due to a shift out of spring wheat. Production is forecast to increase by 14%, as the increase in seeded area and lower abandonment rate, are partly offset by lower normal yields. Assuming normal growing conditions and with the concentration of production in south-western Saskatchewan and south-eastern Alberta, the areas most suitable for chick pea production, the average quality of the crop is expected to improve. Total supply is forecast to increase by 20% due to increased carry-in stocks. Exports are forecast to increase by about 80% because of higher expected quality of the crop and larger supply. Exports of the desi type are expected to be mainly to the Indian sub-continent, whereas exports of the kabuli type are expected to be mainly to the western hemisphere, Europe and the Middle East. Domestic feed use is forecast to drop sharply as a result of reduced supply of low quality chick peas. Carry-out stocks are forecast to increase, with a s/u ratio of 26%. Total world supply is forecast to increase by about 3%, because of higher production and carry-in stocks. The average price over both types and all sizes and grades is forecast to decrease by about 5%, because of larger world supply, which is partly offset by improved crop quality in Canada and some shift in production to the higher priced kabuli type.

MUSTARD SEED

Area seeded is forecast to decrease by 24%, with a shift to durum wheat, lentils and chick peas. Production is forecast to decrease by 35%, as a result of the lower seeded area and lower normal yields. However, total supply is expected to decrease by only 12% due to higher carry-in stocks. Exports and domestic use are expected to remain stable. Carry-out stocks are forecast to decrease, but the s/u ratio is forecast to remain high at 43%. Since Canada is the dominant world exporter of mustard seed, the high carry-out stocks are expected to continue pressuring prices. Therefore, the average price over all types and grades is forecast to be similar to 1999-2000.

CANARY SEED

Area seeded is forecast to increase by 20%, mainly because of a shift out of canola. Production is forecast to increase by 18%, as the increase in seeded area is partly offset by lower normal yields. However, total supply is forecast to remain stable due to lower carry-in stocks. Exports and domestic use are expected to remain stable. Carry-out stocks are forecast to remain high, with a s/u ratio of 46%. Since Canada dominates world canary seed production, the high carry-out stocks are expected to continue pressuring prices, which are forecast to be similar to 1999-2000.

SUNFLOWER SEED

Area seeded is forecast to increase by 5%. Production is forecast to increase slightly as higher seeded area and lower abandonment rate, are partly offset by lower normal yields. Some shifting from oil type to confectionary type production is expected. Total supply is forecast to be similar to 1999-2000. Exports are forecast to remain stable, while domestic use increases. Carry-out stocks are forecast to decrease, with a s/u ratio of 21%. Total world supply is forecast to decrease by about 3%, however oilseed sunflower prices are expected to be pressured downwards by lower vegetable oil prices. Confectionary sunflower supply is expected to be lower because of lower seeded area in the US, which is expected to support confectionary prices. Therefore, the average price, over both types is forecast to be similar to 1999-2000.

BUCKWHEAT

Area seeded is forecast to increase by 8%. Production is forecast to increase by about 29% due to the higher seeded area and higher normal yields. Exports are forecast to increase slightly, while domestic use remains stable. The average price is forecast to decrease slightly, in line with a slightly higher world supply.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mail skrypetzs@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mail olesonf@em.agr.ca

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CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS (c)

JUNE 1, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1996-1997 | 520 | 2.25 | 1,169 | 8 | 1,397 | 856 | 461 | 80 | 209 |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,839 | 1,116 | 553 | 170 | 177 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,517 | 1,705 | 652 | 160 | 132 |
| 1999-2000f | 835 | 2.70 | 2,252 | 10 | 2,422 | 1,450 | 802 | 170 | 130-140 |
| 2000-2001f | 1,201 | 2.25 | 2,700 | 10 | 2,880 | 1,600 | 880 | 400 | 120-150 |
| Lentils | | | | | | | | | |
| 1996-1997 | 304 | 1.33 | 403 | 4 | 484 | 286 | 108 | 90 | 470 |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 473 | 349 | 109 | 15 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 502 | 372 | 120 | 10 | 381 |
| 1999-2000f | 497 | 1.46 | 724 | 10 | 744 | 530 | 149 | 65 | 370-390 |
| 2000-2001f | 577 | 1.34 | 775 | 5 | 845 | 560 | 145 | 140 | 330-360 |
| Dry Beans | | | | | | | | | |
| 1996-1997 | 84 | 1.58 | 133 | 26 | 179 | 124 | 45 | 10 | 605 |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000f | 154 | 1.91 | 294 | 35 | 354 | 260 | 59 | 35 | 515-535 |
| 2000-2001f | 153 | 1.83 | 280 | 30 | 345 | 260 | 65 | 20 | 510-540 |
| Chick Peas | | | | | | | | | |
| 1996-1997 | 3 | 1.33 | 4 | 4 | 8 | 1 | 7 | 0 | n/a |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000f | 139 | 1.42 | 197 | 2 | 204 | 75 | 109 | 20 | 390-410 |
| 2000-2001f | 167 | 1.35 | 225 | 0 | 245 | 135 | 60 | 50 | 365-395 |
| Mustard Seed | | | | | | | | | |
| 1996-1997 | 233 | .99 | 231 | 1 | 262 | 141 | 61 | 60 | 363 |
| 1997-1998 | 292 | .83 | 243 | 1 | 304 | 166 | 63 | 75 | 398 |
| 1998-1999 | 279 | .86 | 239 | 1 | 315 | 162 | 63 | 90 | 348 |
| 1999-2000f | 273 | 1.12 | 306 | 1 | 397 | 180 | 67 | 150 | 275-295 |
| 2000-2001f | 207 | .97 | 200 | 0 | 350 | 180 | 65 | 105 | 270-300 |
| Canary Seed | | | | | | | | | |
| 1996-1997 | 235 | 1.21 | 285 | 0 | 305 | 122 | 44 | 139 | 300 |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 254 | 134 | 47 | 73 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 308 | 137 | 51 | 120 | 248 |
| 1999-2000f | 146 | 1.14 | 166 | 0 | 286 | 150 | 46 | 90 | 230-250 |
| 2000-2001f | 175 | 1.11 | 195 | 0 | 285 | 150 | 45 | 90 | 225-255 |
| Sunflower Seed | | | | | | | | | |
| 1996-1997 | 35 | 1.57 | 55 | 12 | 91 | 24 | 43 | 24 | 345 |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 101 | 45 | 46 | 10 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 139 | 43 | 61 | 35 | 388 |
| 1999-2000f | 79 | 1.54 | 122 | 12 | 169 | 60 | 74 | 35 | 295-315 |
| 2000-2001f | 86 | 1.45 | 125 | 10 | 170 | 60 | 80 | 30 | 290-320 |
| Buckwheat | | | | | | | | | |
| 1996-1997 | 17 | 1.30 | 22 | 1 | 25 | 11 | 12 | 2 | 320 |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 9 | 9 | 1 | 315 |
| 1999-2000f | 13 | 1.00 | 13 | 3 | 17 | 8 | 8 | 1 | 295-315 |
| 2000-2001f | 14 | 1.14 | 16 | 1 | 18 | 9 | 8 | 1 | 285-315 |
| Total Special Crops | | | | | | | | | |
| 1996-1997 | 1,431 | 1.61 | 2,302 | 56 | 2,751 | 1,565 | 781 | 405 | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 53 | 3,201 | 1,949 | 892 | 360 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,127 | 2,635 | 1,046 | 446 | |
| 1999-2000f | 2,136 | 1.91 | 4,074 | 73 | 4,593 | 2,713 | 1,314 | 566 | |
| 2000-2001f | 2,580 | 1.75 | 4,516 | 56 | 5,138 | 2,954 | 1,348 | 836 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

Source: Statistics Canada and industry consultations.

f - Agriculture and Agri-Food Canada forecast, June 1, 2000.

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | | As of Monday May 22 2000 | | | | | | | |
|---|------------------|-------------|------------|--------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-------------|--------------|--------------|--------------------------|--|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL-FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | GLUTEN FEED | DEHY ALFALFA | FEATHER MEAL | | | | | | | | |
| Vancouver | This week | FOB | (1) 142.66 | N/A | 135.66 | (3) 168.00 | | 333.75 | (7) 174.65 | 112.00 | 345.00 | (4) 625.00 | 370.00 | | | | 350.00 | | | | | | | | |
| B.C. | Week ago | | (1) 141.16 | N/A | 135.66 | (3) 171.25 | | 339.25 | (7) 179.65 | 112.00 | 340.00 | (4) 545.00 | 370.00 | | | | 345.00 | | | | | | | | |
| Calgary | This week | FOB | (1) 119.50 | 105.00 | 112.50 | (3) 148.00 | | 334.50 | 185.00 | 300.00 | 300.00 | (4) 675.00 | 470.00 | | | | 360.00 | | | | | | | | |
| Alta | Week ago | | (1) 118.00 | 105.00 | 112.50 | (3) 148.00 | | 340.25 | 185.00 | 300.00 | 300.00 | (4) 595.00 | 470.00 | | | | 360.00 | | | | | | | | |
| Saskatoon | This week | FOB | (1) 111.00 | 115.00 | 94.50 | (3) 131.00 | | 323.50 | 173.00 | 310.00 | (4) N/A | N/A | 470.00 | | | | 390.00 | | | | | | | | |
| Sask. | Week ago | | (1) 108.00 | 109.00 | 94.00 | (3) 131.00 | | 329.25 | 181.00 | 310.00 | (4) N/A | N/A | 470.00 | | | | 390.00 | | | | | | | | |
| Melfort | This week | FOB | (1) 119.80 | 103.44 | 102.70 | | | | | | | | | | | | | | | | | | | | |
| Sask. | Week ago | | (1) 119.50 | 103.05 | 99.90 | | | | | | | | | | | | | | | | | | | | |
| Winnipeg | This week | FOB | (1) 113.15 | 114.48 | 94.67 | (3) 128.00 | | 308.50 | 173.00 | | 310.00 | (4) 686.00 | 430.00 | | | | 320.00 | | | | | | | | |
| Man. | Week ago | | (1) 111.65 | 114.06 | 92.17 | (3) 129.00 | | 313.75 | 181.00 | | 310.00 | (4) 686.00 | 430.00 | | | | 320.00 | | | | | | | | |
| Thunder Bay | This week | Track | (1) 132.30 | N/A | 109.70 | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 132.50 | N/A | 110.90 | | | | | | | | | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | (3) 136.57 | | | | | | | | | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | (3) 138.59 | | | | | | | | | | | | | | | | | | | |
| Bay Ports | This week | In-store | (1) 150.05 | 155.00 | 122.95 | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 148.75 | 157.00 | 123.65 | (2) 127.16 | | | | | | | | | | | | | | | | | | | |
| Chatham | This week | Track | | | | (2) 127.45 | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 314.00 | (5) N/A | 455.00 | 410.00 | 128.00 | 195.00 | 365.00 | | | | | | | | |
| Ont. | Week ago | | | | | | FOB | 320.55 | 188.27 | | 309.00 | (5) N/A | 455.00 | 410.00 | 123.00 | 200.00 | 365.00 | | | | | | | | |
| Hamilton | This week | N/A | | | | | | 324.63 | 186.84 | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | (2) 122.26 | | | | | | | | 400.00 | 120.00 | | | | | | | | | | |
| Eastern | This week | FOB | | | | (2) 123.20 | | | | | | | | 400.00 | 115.00 | | | | | | | | | | |
| Ontario | Week ago | | | | | | | | | | | | | 400.00 | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | 86.50 | | | | 400.00 | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | 83.50 | | | | 400.00 | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | 400.00 | 120.00 | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | 400.00 | 115.00 | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | 400.00 | 125.00 | 215.00 | 370.00 | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | 400.00 | 125.00 | 215.00 | 370.00 | | | | | | | | |
| Montreal | This week | | | | | | FOB | 338.56 | 202.61 | 108.25 | 314.00 | (5) 645.00 | 292.00 | 410.00 | 130.00 | 215.00 | 370.00 | | | | | | | | |
| Que. | Week ago | | | | | | | 336.06 | 202.84 | 112.25 | 309.00 | (5) 645.00 | 287.00 | 410.00 | 125.00 | 215.00 | 370.00 | | | | | | | | |
| Trois-Riv. | This week | In-store | (1) 156.80 | | 140.70 | (2) 148.02 | | | | | | | | | | | | | | | | | | | |
| Que. | Week ago | | (1) 156.50 | | | (2) 149.89 | | | | | | | | | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | (1) 154.87 | 124.25 | 133.80 | (2) 133.85 | | | | | | | | | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | (1) 154.00 | 125.50 | 135.27 | (2) 134.15 | | | | | | | | | | | | | | | | | | | |
| Quebec | This week | In-store | (1) 156.80 | 138.70 | (2) 145.40 | | FOB | 337.08 | | | | | | | | | | | | | | | | | |
| Que. | Week ago | | (1) 156.50 | | 140.90 | (2) 147.93 | | 338.22 | | | | | | | | | | | | | | | | | |
| Truro | This week | Track | (1) 182.32 | 191.48 | 165.91 | (2) 174.18 | FOB | 359.68 | 225.45 | | | | 390.00 | | | | 397.50 | | | | | | | | |
| N.S. | Week ago | | (1) 182.52 | 191.48 | 166.21 | (2) 176.24 | | 362.82 | 227.15 | | | | 390.00 | | | | 397.50 | | | | | | | | |
| Truro | This week | Water | (1) N/A | N/A | N/A | 167.65 | | | | | | | | | | | | | | | | | | | |
| N.S. | Week ago | & Truck | (1) N/A | N/A | N/A | 174.35 | | | | | | | | | | | | | | | | | | | |
| Halifax | This week | In-store | (1) N/A | N/A | N/A | 160.65 | FOB | | | | | | | | | | | | | | | | | | |
| N.S. | Week ago | | (1) N/A | N/A | N/A | 162.25 | | | | 279.00 | | (5) 549.25 | | | | | | | | | | | | | |
| | | | | | | | | | | 279.00 | | (5) 549.25 | | | | | | | | | | | | | |
| Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available. US \$1.00=Cdn \$1.5035as of May 23, 2000 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat , No.1 Feed Oats , No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn , No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease. | | | | | | | | | | | | | | | | | | | | | | | | | |
| (1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley | | | | | | | | | | | | | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5035 as of May 23, 2000

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

| B. CASH PRICES AND REPLACEMENT VALUES | | | | As of Monday May 22, 2000 | | | | |
|---------------------------------------|--|--------------------------|--------|---------------------------|----------|----|-----------|----------|
| PRAIRIE GRAINS | | | | | | | | |
| SELECTED POINT | | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay | | Track | WHEAT | 132.30 | 132.50 | | 131.80 | 136.60 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 109.70 | 110.90 | | 113.10 | 120.00 |
| To: Bayports, Ont. | | In-store | WHEAT | 155.40 | 155.60 | 1. | 154.90 | 158.16 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 136.85 | 138.05 | 1. | 140.25 | 146.75 |
| Montreal, Que. | | In-store | WHEAT | 160.15 | 160.35 | 1. | 159.65 | 163.23 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 141.97 | 143.17 | 1. | 145.37 | 151.80 |
| Moncton, N.B | | Truck via Halifax | WHEAT | 182.62 | 182.82 | | 182.12 | 184.48 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 168.33 | 169.53 | | 171.73 | 173.33 |
| Truro, N.S. | | Truck via Halifax | WHEAT | 180.12 | 180.32 | | 179.62 | 181.98 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 163.45 | 164.65 | | 166.85 | 170.83 |
| Halifax, N.S. | | In-store | WHEAT | 167.45 | 167.65 | 1. | 166.95 | 171.79 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 149.77 | 150.97 | 1. | 153.17 | 159.84 |
| Stephenville, Nfld. | | Track / Truck via Sydney | WHEAT | 227.23 | 227.43 | | 226.73 | 231.53 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 216.84 | 218.04 | | 220.24 | 222.67 |
| From: Melfort, Sask. | | FOB | WHEAT | 119.80 | 119.50 | | 114.40 | 127.60 |
| | | | OATS | 103.44 | 103.05 | | 105.56 | 123.00 |
| | | | BARLEY | 102.70 | 99.90 | | 100.50 | 105.50 |
| To: Bayports, Ont. | | Track | WHEAT | 175.92 | 175.62 | | 170.52 | 183.70 |
| | | | OATS | 162.31 | 161.92 | | 164.43 | 188.37 |
| | | | BARLEY | 156.09 | 153.29 | | 153.89 | 162.30 |
| Montreal, Que. | | Track | WHEAT | 176.67 | 176.37 | | 171.27 | 184.46 |
| | | | OATS | 163.21 | 162.82 | | 165.33 | 189.27 |
| | | | BARLEY | 156.91 | 154.11 | | 154.71 | 163.12 |
| Moncton, N.B. | | Track | WHEAT | 197.85 | 197.55 | | 192.45 | 205.63 |
| | | | OATS | 186.55 | 186.16 | | 188.67 | 212.34 |
| | | | BARLEY | 169.02 | 166.22 | | 166.82 | 184.68 |
| Truro, N.S. | | Track | WHEAT | 198.02 | 197.72 | | 192.62 | 205.80 |
| | | | OATS | 187.52 | 187.13 | | 189.64 | 215.78 |
| | | | BARLEY | 182.64 | 179.84 | | 180.44 | 185.69 |
| Stephenville, Nfld | | Track / Truck via Sydney | WHEAT | 241.36 | 241.06 | | 235.96 | 249.13 |
| | | | OATS | 234.90 | 234.51 | | 237.02 | 260.69 |
| | | | BARLEY | 230.93 | 228.13 | | 228.73 | 233.99 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 136.57 | 138.59 | | 131.32 | 123.39 |
| To: Montreal, Que. (US Corn) | In-store | | 155.47 | 157.49 | 1. | 150.22 | 141.39 |
| From: Saginaw (Mi) | Track | | 130.10 | 130.40 | | 121.44 | 113.62 |
| To: Montreal, Que. (US Corn) | Track | | 157.64 | 157.94 | | 148.98 | 145.92 |
| From: Chatham | Track | | 127.16 | 127.45 | | 122.83 | 116.82 |
| To: Montreal, Que. | Track | | 150.05 | 150.34 | | 145.72 | 141.37 |

| | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 320.55 | 324.63 | | 287.04 | 228.51 |
| To: Montreal, Que. | Track | | 343.02 | 347.10 | | 309.51 | 252.18 |
| Moncton, N.B. | Track | | 360.33 | 364.41 | | 326.82 | 269.53 |
| Truro, N.S. | Track | | 363.30 | 367.38 | | 329.79 | 272.67 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 412.56 | 416.64 | | 379.05 | 319.97 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

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Bi-weekly Bulletin

June 23, 2000

Vol. 13 No. 11

NORTH AFRICA: DURUM

The North African countries of Algeria, Morocco, Tunisia, and Libya account for over 40% of world durum wheat trade. This year, Morocco and eastern Algeria have experienced even drier conditions than in 1999 when production was well below normal, due to drought. Events in North Africa are of particular interest to Canada because Algeria is the largest market for Canadian durum wheat and Canada's exports normally account for almost 60% of the world's total durum trade. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for imports of durum wheat in North Africa.

BACKGROUND

Durum Production

Durum production is best suited to regions with a relatively dry climate, preferably with hot days and cool nights. Under these conditions the grain develops a very hard vitreous kernel which is desirable for cooking purposes. Not surprisingly, traditional production and consumption of durum products developed in the hot, dry Mediterranean regions of North Africa, southern Europe, Turkey, and Syria. Durum wheat is a staple in these regions and, in North Africa, it is consumed primarily as couscous, a traditional durum-semolina based dish, and as bread.

NORTH AFRICA

Since gaining independence from France (Morocco and Tunisia in 1956, and Algeria in 1962) these former colonies have maintained an economic relationship with France and, to a lesser extent, other countries in the European Union (EU). This is evident in the trading agreements with the EU. In an attempt to further improve their standard of living, these North African countries to varying degrees have been privatizing their state-run enterprises.

ALGERIA has a land mass about 238 million hectares (mln ha), however, only 3% of the land is arable. About 8% of its total arable land, or 0.6 mln ha, is under irrigation. Soil erosion from overgrazing and other poor farming practices further limit Algeria's ability to feed its population of over 31 million people.

Algeria's population is only slightly higher than that of Morocco, but it is by far the most important market for durum wheat, accounting for more than 65% of North Africa's total durum imports during the past ten years. The ten-year average for

durum production in Algeria is 1.1 million tonnes (Mt), versus average consumption for the same period of 2.7 Mt.

Algeria has the highest unemployment rate and the lowest economic growth rate of the three former French colonies. It was once considered one of the most centrally-planned economies in the Arab world but has since adopted a more market-driven approach. Recognizing its lack of diversity and vulnerability due to a heavy dependency on oil and gas revenues,

Algeria's government is encouraging foreign and domestic investment outside the energy sector.

Algeria's efforts are ultimately aimed at reducing high unemployment levels and improving living standards for its residents. In 1998, Algeria's unemployment rate was about 30% and its per capita Gross Domestic Product (GDP), which is a measure of purchasing power, was estimated at US\$4,600.

NORTH AFRICA : DURUM PRODUCTION, CONSUMPTION ^{1/}, AND IMPORTS ^{2/}

| | 1991 -1995 ^{3/} | 1996 -1997 | 1997 -1998 | 1998 -1999 | 1999 -2000f | 2000 -2001f |
|---------------------|-----------------------------|---------------|---------------|---------------|----------------|----------------|
| |thousand tonnes..... | | | | | |
| ALGERIA | | | | | | |
| Production | 1,110 | 1,600 | 500 | 1,500 | 900 | 700 |
| Consumption | 2,662 | 3,358 | 3,158 | 3,400 | 2,900 | 2,800 |
| Imports | 1,552 | 1,758 | 2,658 | 1,900 | 2,000 | 2,100 |
| MOROCCO | | | | | | |
| Production | 1,255 | 2,270 | 882 | 1,500 | 800 | 500 |
| Consumption | 1,452 | 2,623 | 1,402 | 2,000 | 1,270 | 1,100 |
| Imports | 197 | 353 | 520 | 500 | 470 | 600 |
| TUNISIA | | | | | | |
| Production | 958 | 1,623 | 700 | 1,100 | 1,200 | 800 |
| Consumption | 1,163 | 1,746 | 1,251 | 1,350 | 1,600 | 1,250 |
| Imports | 205 | 123 | 551 | 250 | 400 | 450 |
| LIBYA | | | | | | |
| Production | 112 | 100 | 100 | 100 | 100 | 100 |
| Consumption | 338 | 347 | 317 | 250 | 350 | 350 |
| Imports | 226 | 247 | 217 | 150 | 250 | 250 |
| NORTH AFRICA | | | | | | |
| Production | 3,434 | 5,593 | 2,182 | 4,200 | 3,000 | 2,100 |
| Consumption | 5,615 | 8,074 | 6,128 | 7,000 | 6,120 | 5,500 |
| Imports | 2,181 | 2,481 | 3,946 | 2,800 | 3,120 | 3,400 |

^{1/} includes stock change, ^{2/} includes semolina, ^{3/} five year average
f: forecast, IGC, June 2000
Source: IGC

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The EU provides about 57% of Algeria's imports and absorbs about 64% of its exports. France is the EU's major trader with Algeria, providing about 22% of Algeria's imports and taking in over 16% of Algeria's exports.

For 1999, trade between Canada and Algeria was nearly \$1.1 billion, which is 4 times more than with Morocco and 13 times more than with Tunisia.

Relations between Canada and Algeria are considered to be excellent, helped to some extent by a common language (French) and Canada's willingness to share its technology. This is particularly important given that Algeria's low level of mechanization contributes to its inability to meet its domestic food requirements.

Canada's commitment to maintaining good relations with Algeria has been demonstrated by various trade missions and programs in the past few years. For instance, Canada's open lines of credit to Algeria were increased to \$111 million in 1997, versus \$9 million for all of Africa in 1996 and are now \$170 million. The Canadian International Development Agency's (CIDA) cooperative programs in Algeria, such as the Private Sector Development Fund, have also helped relations between the two countries.

Prior authorization by the Ministry of Trade is required for certain so-called "mass consumption" products. The exporter has to provide the necessary documents demonstrating compliance with applicable hygiene and phytosanitary requirements as well as certificates of origin. To regulate the market, the Ministry of Trade regularly asks importers to declare their planned imports of mass consumption products such as cereals and wheat derivatives (semolina and flour.)

MOROCCO has a land mass of about 44 mln ha, of which 21% is arable. The climate can be categorized as Mediterranean, although hotter and drier conditions exist in the interior regions. Over 13% of the arable land, or about 1.3 mln ha, is irrigated, but land degradation due to overgrazing and poor farming practices on marginal lands continues to limit the country's ability to feed its population of some 30 million people.

Morocco's economy is based to a large extent on a non-energy resource sector, primarily that of phosphate production. As such, it has not been subjected to the fluctuations in oil and gas prices that many of the energy producing countries experienced during the past two



decades. Nevertheless, it has had to face some of the problems typical of developing countries such as having to curtail government spending, reducing constraints on private activity and foreign trade, and keeping inflation under control.

Since the early 1980s, Morocco has achieved some of its economic objectives with the support of the International Monetary Fund, the World Bank, and the Paris Club creditors. Some longer-term challenges for Morocco include servicing the external debt, preparing for freer trade with the EU, and improving living standards and job prospects for its residents, especially the younger members of its population. In 1998, Morocco's unemployment rate was about 20% and per capita GDP was estimated at US\$3,200.

As a potential market for durum wheat, Morocco's comparative advantage over Algeria is that, despite a significantly lower GDP, its real growth rate is twice that of Algeria. This economic growth is particularly evident given that in the past ten years Morocco's imports of durum increased from virtually nothing to 470,000 tonnes (t) in 1999-2000. The ten-year average for durum production in Morocco is 1.4 Mt, versus average consumption for the same period of 1.7 Mt.

TUNISIA has an area of about 15 mln ha and about 20% of its land is arable. Over 12%, or 0.4 mln ha, of that arable land is under irrigation. Similar to some of the other North African countries, Tunisia's agricultural land continues to be exposed to the destructive effects of deforestation, overgrazing and soil degradation. All of these factors contribute to a continued reliance on imports to feed its population of 10 million people. The ten-year average for durum production in Tunisia is 0.9 Mt, versus average consumption for the same period of 1.2 Mt.

Tunisia benefits from a diverse economy that includes agriculture, mining, energy, tourism and manufacturing sectors. Over the past decade, decreased governmental control of economic activities, combined with a simplified tax structure and a more prudent approach to debt management, have contributed to an increase in annual growth in its GDP. In 1998, Tunisia's per capita GDP was US\$5,200.

Increased tourism and trade have contributed to much of Tunisia's economic growth. In addition, a 1998 agreement with the EU has gradually removed trade barriers and has helped solidify a relationship between the two parties, thus enhancing Tunisia's economic prospects. Future plans for stimulating economic growth include more privatization, increased foreign investment, and improved government efficiency.

LIBYA has a land area of about 176 mln ha, however, only 1% of that land is suitable for cultivation. Of the 1.8 mln ha of arable land, more than 25% is under irrigation and this has added some stability to Libya's crop production. Still, with its relatively harsh climate and generally poor soil conditions, Libya has to import about 75% of its food requirements. The ten-year average for durum production in Libya is 0.1 Mt, versus average consumption for the same period of 0.3 Mt.

Libya's socialist-oriented economy depends heavily on oil revenues, making up virtually all of the country's export earnings and contributing one-third of its GDP. Although Libya's per capita GDP, which registered US\$6,700 in 1998, is one of the highest in Africa, little of the income derived from oil sales flows to the lower echelons of its society. Import restrictions and inefficient resource allocation further contribute to periodic shortages of basic goods and foodstuffs for some of its residents, particularly those 30% who are unemployed.

SITUATION

World

World durum **production** for 1999-2000 is estimated at 32.5 Mt by the International Grains Council (IGC) compared to 36.7 Mt in 1998-1999. For 1999-2000, production was about 1 Mt lower than durum utilization, with stocks held by the three major exporters of durum (Canada, the EU, and the US) falling by 1.1 Mt to 3.1 Mt, versus the ten-year average of 4.2 Mt. World **trade** in durum is estimated at 6.5 Mt, up from 6.3 Mt in 1998-1999.

North Africa

Imports of durum wheat by North Africa over the past decade have fluctuated between a low of 1.4 Mt in 1992-1993 to a high of 3.9 Mt in 1997-1998. The record high imports coincided with reduced durum production due to extremely dry growing conditions in North Africa and southern Europe. Although production and world supplies recovered during the following year, parts of North Africa experienced drought conditions again in 1999-2000. Weather conditions continue to play an important role in this important durum market.

Durum consumption figures for North Africa are not particularly reliable, specifically those for Morocco which suggest that per capita durum consumption is on the decline. This is due to a lack of data on durum stocks, which have likely declined during years of low production.

North Africa imported less durum than it produced over the last ten years. However, 1999-2000 imports have exceeded domestic production due to extremely dry weather. Morocco was hit particularly hard by drought in 1999-2000.

For 1999-2000, North Africa's durum imports are expected to increase by 11%, to 3.1 Mt, of which Canada's share is expected to be about 65%, or 2.0 Mt.

Algeria

Durum production decreased to 0.9 Mt in 1999-2000 from 1.5 Mt in 1998-1999 due to extremely low drought-related yields. As a result, imports of durum are expected to increase to 2.0 Mt in 1999-2000 from 1.9 Mt in 1998-1999. Canadian exports of durum to Algeria are estimated at 1.5 Mt for 1999-2000, similar to 1998-1999.

Currently, over 40% of Algeria's total wheat imports are durum wheat. During the 1990s, durum (including semolina) imports varied

considerably from a low of 1.0 Mt in 1992-1993 to 2.7 Mt in 1997-1998.

Of the four North African countries, Algeria is the only country that imports semolina in any significant amount. Algeria's semolina imports, largely from the EU, have decreased from a relative high of 1.4 Mt in 1992-1993 to a low of 116,000 t in 1995-1996, and have averaged just over 150,000 t since then. The decrease is attributed to increased milling capacity in Algeria.

Morocco

Durum production is estimated at 0.8 Mt in 1999-2000, down considerably from 1.5 Mt in 1998-1999. As in Algeria, this decrease in production is due to low drought-related yields. For 1999-2000, total durum imports are expected to be relatively unchanged at 0.5 Mt, however, exports of Canadian durum to Morocco are expected to rise by about 20% to 0.4 Mt.

Currently, durum imports account for about 17% of Morocco's total wheat imports. During the past decade, its durum imports have ranged between a low of 43,000 t in 1991-1992 to a high of 520,000 t in 1997-1998. Morocco's semolina imports are negligible.

Tunisia

Durum production is estimated to have increased slightly to 1.2 Mt in 1999-2000 from 1.1 Mt in 1998-1999. Imports, however, are expected to rise by 60%, to 0.4 Mt.

Durum imports are about one-quarter of Tunisia's total wheat imports. However, because Tunisia has focussed on purchasing lower quality, lower priced durum from Turkey during the 1999-2000 period, Canada, with its higher quality durum, is not expected to share in that trade, with exports falling to zero, from 27,500 t in 1998-1999.

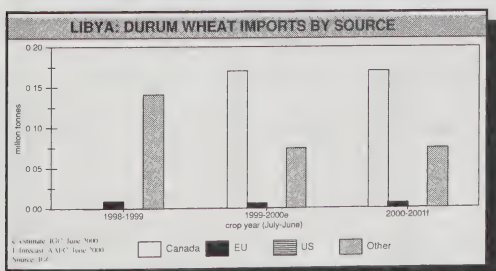
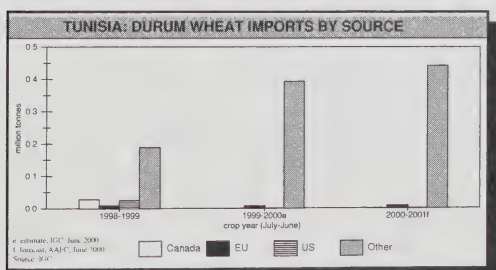
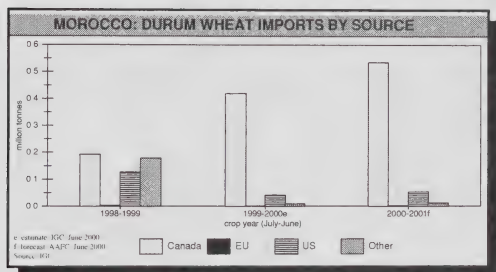
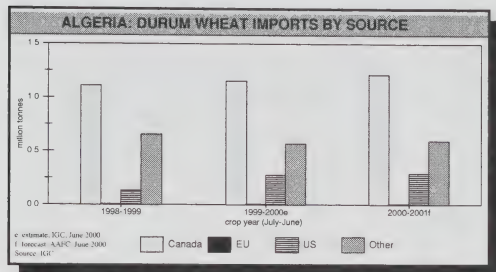
Libya

Durum production, constrained by the amount of irrigated land available for cereal production, has remained flat at about 0.1 Mt throughout the past decade.

Durum imports, which represent about 15% of total wheat imports, are forecast to increase to 250,000 t, from 150,000 t in 1998-1999. Canada's share of Libya's durum imports is expected to be 170,000 t versus zero in 1998-1999. For the past few years, there have virtually been no imports of semolina by Libya.

Durum Prices

From August 1, 1999 to May 26, 2000 the US export price for No. 3 Hard Amber Durum (HAD) free on board (FOB)



St. Lawrence has averaged US\$152 per tonne (/t), virtually identical to that for the 1998-1999 Canadian August-July crop year. During this same period, the premium of 3 HAD over Dark Northern Spring wheat 14% protein (DNS 14) has averaged US\$10/t, versus US\$5/t for 1998-1999.

The 1999-2000 Canadian Wheat Board (CWB) June Pool Return Outlook (PRO) for No. 1 Canada Western Amber Durum (CWAD) is \$205/t in-store St. Lawrence or Vancouver (I/S SL/VC), slightly higher than the 1998-1999 final realized price of \$201/t.

OUTLOOK FOR 2000-2001

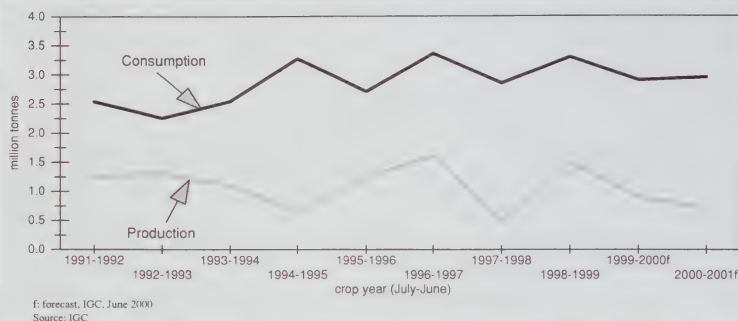
World

World durum **production** is forecast by the IGC to increase by about 4% to 33.7 Mt, slightly above the five-year average. In the EU, production is forecast to increase by 14%, to 8.3 Mt. Durum seeded area is forecast to increase by about 3%, with increases expected in Spain (3.3%), Italy (1.6%), and France (1.5%). In **Canada**, production is forecast by AAFC to rise by 21% from the unusually low 1999-2000 level, to 5.1 Mt, indicating that exportable supplies of durum will increase. **Carry-out stocks** in the three major exporting countries are forecast to increase to 3.6 Mt from the 1999-2000 level of 3.1 Mt. World **trade** in durum is forecast to increase by 0.4 Mt to 6.9 Mt for 2000-2001, largely due to increased imports by North Africa.

North Africa

With persistent drought conditions in parts of North Africa, durum production is forecast to decrease to only 2.1 Mt, 0.9 Mt below 1999-2000. Although Canada's prospects for increased exports of durum wheat to North Africa are good, Canada is expected to face strong competition from other durum producing countries such as the US, Mexico, Australia, Turkey, and Syria.

ALGERIA: DURUM PRODUCTION AND CONSUMPTION



Algerian production is forecast to decrease by 0.2 Mt, to 0.7 Mt, causing imports to increase by 0.1 Mt, to 2.1 Mt. Of those imports, Canada's share is forecast by AAFC at 1.5 Mt, which is about a 7% increase over the previous year.

Moroccan production is forecast to decrease by 0.3 Mt, to 0.5 Mt, resulting in an increase in imports by over 0.1 Mt, to 0.6 Mt. Canada's share of those imports is forecast by AAFC at 0.5 Mt, up from 0.4 Mt in 1999-2000.

In **Tunisia**, durum production is forecast to decrease to 0.8 Mt, from 1.2 Mt in 1999-2000. As a result, imports are forecast to rise by 13% to 0.45 Mt. Although Canada exported virtually no durum to Tunisia in 1999-2000, it is expected to regain some of the market share lost to exporters of lower quality durum such as Turkey. Canadian durum exports to Tunisia for 2000-2001 are forecast by AAFC at 25,000 t.

For **Libya**, the forecast for durum production is 0.1 Mt, the same as 1999-2000, due to the limited irrigated land available for cereal production. As a result, imports are forecast at the previous year's level of 0.25 Mt, of which about 0.2 Mt will likely be imported from Canada, similar to the previous year.

Durum Prices

Based on current market information, including projections for a significant increase in Canadian durum production, the CWB's June PRO for No. 1 CWAD is \$180-210/t. The mid-point for the 2000-2001 PRO is \$10/t lower than estimated for 1999-2000.

For more information, please contact:

Stan Spak
Market Analyst
Telephone: (204) 983-8467
Fax: (204) 983-5524
Email: spaks@em.agr.ca

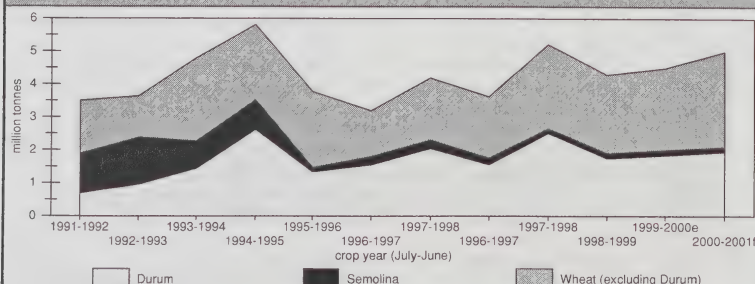
or

Glenn Lennox
A/Senior Market Analyst
Telephone: (204) 983-8465
Fax: (204) 983-5524
Email: lennoxg@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

ALGERIA: DURUM AND SEMOLINA IMPORTS



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Director: Maggie Liu
Chief: Fred Oleson

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| B. CASH PRICES AND REPLACEMENT VALUES | | | | As of Monday June 5, 2000 | | | | |
|---------------------------------------|--|--------------------------|--------|---------------------------|----------|----|-----------|----------|
| PRAIRIE GRAINS | | | | | | | | |
| SELECTED POINT | | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay | | Track | WHEAT | 136.90 | 133.70 | | 133.00 | 137.40 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 108.50 | 108.70 | | 113.20 | 122.10 |
| To: Bayports, Ont. | | In-store | WHEAT | 160.00 | 156.80 | 1. | 156.10 | 158.96 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 135.65 | 135.85 | 1. | 140.35 | 148.85 |
| Montreal, Que. | | In-store | WHEAT | 164.75 | 161.55 | 1. | 160.85 | 164.03 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 140.77 | 140.97 | 1. | 145.47 | 153.90 |
| Moncton, N.B | | Truck via Halifax | WHEAT | 187.22 | 184.02 | | 183.32 | 185.28 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 167.13 | 167.33 | | 171.83 | 175.43 |
| Truro, N.S. | | Truck via Halifax | WHEAT | 184.72 | 181.52 | | 180.82 | 182.78 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 162.25 | 162.45 | | 166.95 | 172.93 |
| Halifax, N.S. | | In-store | WHEAT | 172.05 | 168.85 | 1. | 168.15 | 172.59 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 148.57 | 148.77 | 1. | 153.27 | 161.94 |
| Stephenville, Nfld. | | Track / Truck via Sydney | WHEAT | 231.83 | 228.63 | | 227.93 | 232.33 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 215.64 | 215.84 | | 220.34 | 224.77 |
| From: Melfort, Sask. | | FOB | WHEAT | 120.90 | 121.20 | | 120.00 | 129.20 |
| | | | OATS | 92.06 | 98.25 | | 104.58 | 125.00 |
| | | | BARLEY | 99.50 | 100.70 | | 101.70 | 110.30 |
| To: Bayports, Ont. | | Track | WHEAT | 177.02 | 177.32 | | 176.12 | 185.30 |
| | | | OATS | 150.93 | 157.12 | | 163.45 | 190.37 |
| | | | BARLEY | 152.89 | 154.09 | | 155.09 | 167.10 |
| Montreal, Que. | | Track | WHEAT | 177.77 | 178.07 | | 176.87 | 186.06 |
| | | | OATS | 151.83 | 158.02 | | 164.35 | 191.27 |
| | | | BARLEY | 153.71 | 154.91 | | 155.91 | 167.92 |
| Moncton, N.B. | | Track | WHEAT | 198.95 | 199.25 | | 198.05 | 207.23 |
| | | | OATS | 175.17 | 181.36 | | 187.69 | 214.34 |
| | | | BARLEY | 165.82 | 167.02 | | 168.02 | 189.48 |
| Truro, N.S. | | Track | WHEAT | 199.12 | 199.42 | | 198.22 | 207.40 |
| | | | OATS | 176.14 | 182.33 | | 188.66 | 217.78 |
| | | | BARLEY | 179.44 | 180.64 | | 181.64 | 190.49 |
| Stephenville, Nfld | | Track / Truck via Sydney | WHEAT | 242.46 | 242.76 | | 241.56 | 250.73 |
| | | | OATS | 223.52 | 229.71 | | 236.04 | 262.69 |
| | | | BARLEY | 227.73 | 228.93 | | 229.93 | 238.79 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|-----------|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 128.01 | 132.93 | | 141.06 | 129.46 |
| To: Montreal, Que. (US Corn) | In-store | | 146.91 | 151.83 | 1. | 159.96 | 147.46 |
| From: Saginaw (MI) | Track | | 120.44 | 125.23 | | 132.21 | 121.36 |
| To: Montreal, Que. (US Corn) | Track | | 147.98 | 152.77 | | 159.75 | 153.66 |
| From: Chatham | Track | | 120.86 | 124.21 | | 128.44 | 122.73 |
| To: Montreal, Que. | Track | | 143.75 | 147.10 | | 151.33 | 147.28 |

| | | | | | | | |
|-----------------------------------|---------------------------------|--|---------------|---------------|--|---------------|---------------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 316.03 | 316.80 | | 318.45 | 231.26 |
| To: Montreal, Que. | Track | | 338.50 | 339.27 | | 340.92 | 254.93 |
| Moncton, N.B. | Track | | 355.81 | 356.58 | | 358.23 | 272.28 |
| Truro, N.S. | Track | | 358.78 | 359.55 | | 361.20 | 275.42 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 408.04 | 408.81 | | 410.46 | 322.72 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 46% | CANOLA MEAL | MILL- FEEDS | MEAT MEAL | FISH MEAL | As of Monday June 19 2000 | | | | FEATHER MEAL |
|--------------------|------------------|-----------------|------------|--------|--------|------------|-------------|------------------|-------------|-------------|-----------|------------|---------------------------|-------------|-------------|--------------|--------------|
| | | | | | | | | | | | | | ANIMAL FAT | GLUTEN MEAL | GLUTEN FEED | DEHY ALFALFA | |
| Vancouver B.C. | This week | FOB | (1) 141.66 | N/A | 135.66 | (3) 157.00 | | 321.25 | (7) 178.25 | 111.00 | 350.00 | (4) 625.00 | 370.00 | | | | 360.00 |
| | Week ago | | (1) 141.66 | N/A | 135.66 | (3) 157.00 | | 321.25 | (7) 179.25 | 111.00 | 350.00 | (4) 625.00 | 370.00 | | | | 360.00 |
| Calgary | This week | FOB | (1) 118.50 | 105.00 | 112.50 | (3) 147.00 | | 317.50 | 166.00 | | 305.00 | (4) 675.00 | 470.00 | | | | 375.00 |
| Alta | Week ago | | (1) 118.50 | 105.00 | 112.50 | (3) 148.00 | | 317.50 | 166.00 | | 305.00 | (4) 675.00 | 470.00 | | | | 375.00 |
| Saskatoon | This week | FOB | (1) 111.50 | 116.00 | 92.50 | (3) 129.00 | | 306.50 | 166.00 | | 315.00 | (4) N/A | 470.00 | | | | 400.00 |
| Sask. | Week ago | | (1) 111.50 | 116.00 | 94.00 | (3) 131.00 | | 314.00 | 172.00 | | 320.00 | (4) N/A | 470.00 | | | | 400.00 |
| Melfort Sask. | This week | FOB | (1) 121.20 | 88.92 | 97.60 | | | | | | | | | | | | |
| | Week ago | | (1) 122.70 | 94.10 | 101.20 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | (1) 111.55 | 92.35 | 95.75 | (3) 123.00 | | 291.50 | 166.00 | | 320.00 | (4) 705.00 | 430.00 | | | | 340.00 |
| Man. | Week ago | | (1) 111.25 | 100.19 | 82.02 | (3) 123.00 | | 301.50 | 172.00 | | 320.00 | (4) 686.00 | 430.00 | | | | 340.00 |
| Thunder Bay Ont. | This week | Track | (1) 135.20 | N/A | 106.60 | | | | | | | | | | | | |
| | Week ago | | (1) 135.70 | N/A | 106.20 | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | (3) 117.08 | | | | | | | | | | | |
| | Week ago | | (1) 122.70 | | | (3) 122.20 | | | | | | | | | | | |
| Bay Ports Ont. | This week | Vessel In-store | (1) 150.95 | 152.00 | 118.15 | | | | | | | | | | | | |
| | Week ago | | (1) 152.45 | 152.00 | 120.85 | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | (2) 111.90 | | | | | | | | | | | |
| | Week ago | | | | | (2) 116.63 | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | 342.00 | (5) N/A | 460.00 | 405.00 | 120.00 | 193.00 | 375.00 |
| | Week ago | | | | | | | | | | 342.00 | (5) N/A | 460.00 | 415.00 | 130.00 | 195.00 | 375.00 |
| Hamilton Ont. | This week | N/A | | | | | FOB | 309.64 | 179.56 | | | | | | | | |
| | Week ago | | | | | | | 318.23 | 178.24 | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | (2) 117.59 | | | | | | | | | | | |
| | Week ago | | | | | (2) 120.45 | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | 395.00 | 112.00 | | |
| | Week ago | | | | | | | | | | | | | 405.00 | 122.00 | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | 62.50 | | | | 395.00 | | | |
| | Week ago | | | | | | | | | 72.50 | | | | 405.00 | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | 395.00 | 112.00 | | |
| | Week ago | | | | | | | | | | | | | 405.00 | 122.00 | | |
| Montreal Que. | This week | | | | | | FOB | 324.86 | 194.96 | 104.83 | 342.00 | (5) 645.00 | 298.00 | 405.00 | 122.00 | 215.00 | 390.00 |
| | Week ago | | | | | | | 333.67 | 194.77 | 104.67 | 342.00 | (5) 645.00 | 298.00 | 415.00 | 132.00 | 215.00 | 390.00 |
| Trois-Riv. Que. | This week | In-store | (1) 157.20 | | 138.60 | (2) 134.74 | | | | | | | | | | | |
| | Week ago | | (1) 159.70 | | 140.20 | (2) 141.43 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | (1) 158.15 | 116.67 | 133.93 | (2) 129.52 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | (1) 162.28 | 117.67 | 136.53 | (2) 131.98 | | | | | | | | | | | |
| Quebec Que. | This week | In-store | (1) 161.20 | | 136.27 | (2) 136.34 | FOB | 326.17 | | | | | | | | | |
| | Week ago | | (1) 162.70 | | 138.87 | (2) 141.43 | | 336.24 | | | | | | | | | |
| Truro N.S. | This week | Track | (1) 183.56 | 191.48 | 162.34 | (2) 164.45 | FOB | 352.57 | 222.74 | | | | 395.00 | | | | 417.50 |
| | Week ago | | (1) 183.49 | 191.48 | 164.48 | (2) 168.53 | | 355.77 | 217.87 | | | | 395.00 | | | | 417.50 |
| Truro N.S. | This week | Water & Truck | (1) N/A | N/A | 157.15 | | | | | | | | | | | | |
| | Week ago | | (1) N/A | N/A | 163.15 | | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | (1) N/A | N/A | N/A | 144.65 | FOB | | | 279.00 | | (5) 549.25 | | | | | |
| | Week ago | | (1) N/A | N/A | N/A | 155.65 | | | | 279.00 | | (5) 549.25 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.4704 as of June 19, 2000
Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat , No.1 Feed Oats , No.1 Canada, Western or Eastern Barley, No.2 Canada Yellow Corn , No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices, quoted by the trade. Bulk bush. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday June 19, 2000

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 135.20 | 135.70 | 132.30 | 138.80 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 106.60 | 106.20 | 109.70 | 118.00 |
| To: Bayports, Ont. | In-store | WHEAT | 158.30 | 158.80 | 155.40 | 160.36 |
| | | OATS | N/A | N/A | 1 | N/A |
| | | BARLEY | 133.75 | 133.35 | 1 | 136.85 |
| Montreal, Que. | In-store | WHEAT | 163.05 | 163.55 | 1 | 160.15 |
| | | OATS | N/A | N/A | 1 | N/A |
| | | BARLEY | 138.87 | 138.47 | 1 | 141.97 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 185.52 | 186.02 | | 182.62 |
| | | OATS | N/A | N/A | | N/A |
| | | BARLEY | 165.23 | 164.83 | | 168.33 |
| Truro, N.S. | Truck via Halifax | WHEAT | 183.02 | 183.52 | | 180.12 |
| | | OATS | N/A | N/A | | N/A |
| | | BARLEY | 160.35 | 159.95 | | 163.45 |
| Halifax, N.S. | In-store | WHEAT | 170.35 | 170.85 | 1 | 167.45 |
| | | OATS | N/A | N/A | 1 | N/A |
| | | BARLEY | 146.67 | 146.27 | 1 | 149.77 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 230.13 | 230.63 | | 227.23 |
| | | OATS | 106.20 | N/A | | N/A |
| | | BARLEY | 213.74 | 213.34 | | 216.84 |
| From: Melfort, Sask. | FOB | WHEAT | 121.20 | 122.70 | | 119.80 |
| | | OATS | 88.92 | 94.10 | | 103.44 |
| | | BARLEY | 97.60 | 101.20 | | 102.70 |
| To: Bayports, Ont. | Track | WHEAT | 177.32 | 178.82 | | 175.92 |
| | | OATS | 147.79 | 152.97 | | 162.31 |
| | | BARLEY | 150.99 | 154.59 | | 156.09 |
| Montreal, Que. | Track | WHEAT | 178.07 | 179.57 | | 176.67 |
| | | OATS | 148.69 | 153.87 | | 163.21 |
| | | BARLEY | 151.81 | 155.41 | | 156.91 |
| Moncton, N.B. | Track | WHEAT | 199.25 | 200.75 | | 197.85 |
| | | OATS | 172.03 | 177.21 | | 186.55 |
| | | BARLEY | 163.92 | 167.52 | | 169.02 |
| Truro, N.S. | Track | WHEAT | 199.42 | 200.92 | | 198.02 |
| | | OATS | 173.00 | 178.18 | | 187.52 |
| | | BARLEY | 177.54 | 181.14 | | 182.64 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 242.76 | 244.26 | | 241.36 |
| | | OATS | 220.38 | 225.56 | | 234.90 |
| | | BARLEY | 225.83 | 229.43 | | 230.93 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|-----------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 117.08 | 122.20 | | 136.57 |
| To: Montreal, Que. (US Corn) | In-store | | 135.98 | 141.10 | 1 | 155.47 |
| From: Saginaw (Mi) | Track | | 107.81 | 115.22 | | 130.10 |
| To: Montreal, Que. (US Corn) | Track | | 135.35 | 142.76 | | 157.64 |
| From: Chatham | Track | | 111.90 | 116.63 | | 127.16 |
| To: Montreal, Que. | Track | | 134.79 | 139.52 | | 150.05 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 309.64 | 318.23 | | 320.55 | 246.25 |
| To: Montreal, Que. | Track | | 332.11 | 340.70 | | 343.02 | 269.92 |
| Moncton, N.B. | Track | | 349.42 | 358.01 | | 360.33 | 287.27 |
| Truro, N.S. | Track | | 352.39 | 360.98 | | 363.30 | 290.41 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 401.65 | 410.24 | | 412.56 | 337.71 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

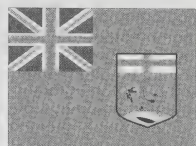
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MANITOBA: GRAINS, OILSEEDS, AND LIVESTOCK



While wheat still dominates the agricultural landscape in Manitoba, there has been an increase in area seeded to oilseeds and special crops, and strong growth in the livestock sector, including both beef and pork. Spring wheat continues to be the most important crop grown in Manitoba, accounting for more than 38% of

production in 1999-2000, followed by canola at 22% and barley at 15%. Other major crops include oats and flax. As a result of the end of the Western Grain Transportation Act (WGTA), and low international grain prices, Manitoba's producers have adjusted and diversified their farming

operations. This issue of the *Bi-weekly Bulletin* examines the supply and disposition of grains, oilseeds and special crops in Manitoba, and provides an overview of the livestock and food processing sectors.

Land and Climate

Manitoba lies roughly at the centre of North America as the easternmost of the three Prairie provinces, and occupies about 650,000 square kilometers (km²) of land and water. In 1999, about 3.5% of the Canadian population, or 1.14 million people lived in Manitoba. About 680,000 people reside in the capital city of Winnipeg. The northern three-fifths of Manitoba are situated on the Canadian shield and are dominated by deciduous boreal forest as far north as the climate permits. The eastern extremity of the province is also built on the

Canadian shield and is characterized predominantly by forests and lakes. As such, agricultural land is confined to 77,321 km², or roughly 12% of Manitoba's landmass. The area is roughly the shape of a triangle that is bordered to the west by Saskatchewan, the south by the United States (U.S.) and the third border that stretches diagonally from the northwest to the southeast, cutting across Lake Winnipeg. The combined land in crops, pasture and summerfallow has remained fairly constant for the latter part of the twentieth century.

Most of the agricultural soil in Manitoba is black soil, which is richer in organic material than the brown or dark brown soils found farther west. As such, the soil is very productive and supports a wide range of grains, oilseeds and special crops.

Warm, sunny summers and cold bright winters characterize Manitoba's climate. According to the *National Ecological Framework for Canada*, the average January temperature for the agricultural area of Manitoba is -17.6 degrees Celsius (°C), while the average July temperature rises to 19.4 °C. Manitoba receives more precipitation than the other Prairie provinces with average annual precipitation of 510 millimeters (mm), including 120 mm of snow and 390 mm of rain.

Agriculture and Economy

Manitoba enjoys a strong and stable economy with a diversified economic base and relatively large service sector which ensures that it is less susceptible to large economic fluctuations than many other regions. Agriculture makes an important contribution to Manitoba's overall economy. While in 1999 primary agriculture only contributed to

Did you know?

- ... the first load of Manitoba grown wheat was shipped to England in 1874.
- ... the first Western Canadian grain elevator was built at Gretna, Manitoba in 1879.
- ... the Winnipeg Grain & Produce Exchange, now called the Winnipeg Commodity Exchange, was opened in 1887 to provide a venue for cash sales of wheat, oats, and barley.
- ... the total number of hogs has more than doubled since 1983, while the total number of cattle and calves has doubled since 1950. The total number of people in Manitoba has still not doubled since 1921.
- ... there were 58,024 farms in Manitoba in 1941. In 1996, there were 24,383.
- ... there were 684 licenced primary elevators in Manitoba in 1962. Now, there are 206.



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3.0% of the provincial gross domestic product (GDP), food and beverage manufacturing contributes approximately another 3.5%, or 25% of the GDP from total manufacturing. About 10% of the jobs in Manitoba are associated with agricultural production.

Winnipeg is the centre of the Western Canadian grain industry, and is home to the following: the headquarters of the Canadian Wheat Board (CWB), the Canadian Grain Commission, the Canadian International Grains Institute, the Winnipeg Commodity Exchange, the

Canada Grains Council, the Canola Council of Canada, Pulse Canada, Agricore, and numerous other grain companies and producer organizations.

Transportation Policy

In 1995, the WGTA was repealed and the subsidy on rail transportation of grain was removed as of the 1995/96 grain year. The result was increased costs to the farmer for transporting grain from the farm to the export position. As most grain from Western Canada is exported through the Pacific Coast, farmers in Manitoba faced the sharpest increase in transportation costs. On the other hand, flax exports through Thunder Bay and malting barley and oat exports to the U.S. are more cost effective through Manitoba than through other prairie shipping points. Effective August 1, 2000, farmers will be deducted freight to Thunder Bay or Vancouver, but will receive a rebate directly from the CWB based on the proportion of wheat shipped through Churchill, to accurately reflect the value of the Port of Churchill.

Port of Churchill

The Port of Churchill is located at the northern extremity of Manitoba on the Hudson Bay. The Port has been serviced by OmniTRAX Canada since 1996, and operates from mid-July to early November. The elevator, with 140,000 tonnes (t) storage capacity, has the ability to clean, grade, store, and transfer bulk grains from railcars to oceangoing vessels. While the Port has a shipping capacity of over 1 million tonnes (Mt), only 415,000 t of grain were shipped through Churchill in 1999, a 30.5% increase over 1998. The Port of Churchill offers an efficient and lower cost alternative for shipping grain to many of Canada's offshore customers serviced off the Atlantic seaboard. The province and the federal government are funding a major dredging program which will help to facilitate the growth of the Port.

Number of Farms

In 1998, there were 22,110 farms in Manitoba with revenues over \$10,000. The number of farms of that size has decreased by 1.7% since 1996, and 6% since 1990, for a reduction of 1,415 farms. The number of farms in Canada

MANITOBA: POPULATION

| | 1981 | 1986 | 1991 | 1996 |
|-----------------------------------|-----------|-----------|-----------|-----------|
| Total Population | 1,026,241 | 1,071,232 | 1,091,942 | 1,113,898 |
| Farm Population | 98,375 | 86,505 | 79,610 | 79,840 |
| Farm Population (%) | 9.59% | 8.08% | 7.29% | 7.17% |
| Number of Census Farms | 29,442 | 27,336 | 25,706 | 24,383 |
| Average Size of Census Farms (ha) | 263 | 283 | 300 | 317 |

Source: Statistics Canada

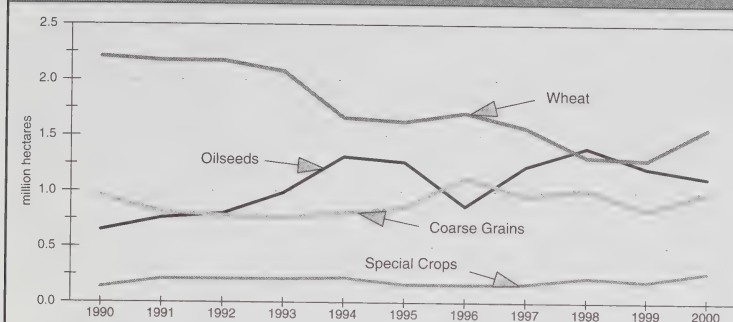
MANITOBA: AREA SEEDED

| | 1998 | 1999 | 2000 |
|------------------------------------|-----------------------------|----------------|----------------|
| |thousand hectares..... | | |
| Winter Wheat | 36.4 | 36.4 | 52.6 |
| Durum | 80.9 | 16.2 | 42.5 |
| Spring Wheat: | 1,195.9 | 1,236.2 | 1,475.0 |
| <i>CW Red Spring</i> | 1,092.7 | 1,165.5 | 1,416.4 |
| <i>Prairie Spring</i> | 40.5 | 28.3 | 16.2 |
| <i>CW Extra Strong</i> | 48.6 | 36.4 | 28.3 |
| <i>CW Soft White Spring</i> | 2.0 | 2.0 | 2.0 |
| <i>Other Spring</i> | 12.1 | 4.0 | 12.1 |
| Total Wheat | 1,313.2 | 1,288.8 | 1,570.1 |
| Oats | 404.7 | 327.8 | 398.6 |
| Barley | 526.1 | 429.0 | 505.9 |
| Rye (all) | 48.6 | 34.4 | 22.3 |
| Mixed Grains | 8.1 | 8.1 | 12.1 |
| Corn | 38.4 | 44.5 | 58.7 |
| Total Coarse Grains | 1,025.9 | 843.8 | 997.6 |
| Flax ^{1/} | 283.3 | 210.4 | 176.0 |
| Canola | 1,112.9 | 1,003.6 | 951.0 |
| Total Oilseeds | 1,396.2 | 1,214.0 | 1,127.0 |
| TOTAL GRAINS & OILSEEDS | 3,735.3 | 3,346.6 | 3,694.7 |
| Dry Peas | 105.2 | 42.4 | 64.7 |
| Dry White Pea Beans | 20.2 | 40.5 | 50.6 |
| Dry Coloured Beans | 20.2 | 28.3 | 44.5 |
| Lentils | 6.1 | 6.5 | 16.2 |
| Mustard Seed | 4.0 | 2.8 | 2.4 |
| Sunflower Seed | 50.6 | 56.7 | 62.7 |
| Canary Seed | 20.2 | 6.1 | 20.2 |
| Buckwheat | 12.1 | 10.1 | 12.1 |
| Total Special Crops | 238.6 | 193.4 | 273.4 |
| TOTAL CROPS | 3,973.9 | 3,540.0 | 3,968.1 |
| Summerfallow | 182.0 | 607.0 | 152.0 |
| TOTAL AREA | 4,155.9 | 4,147.0 | 4,120.1 |

^{1/} excludes solin

Source: Statistics Canada

MANITOBA : AREA SEEDED



Source: Statistics Canada

with revenues over \$10,000 has decreased by only 0.5% since 1990.

In terms of revenue, farms in Manitoba tend to be larger than the average farm size for Canada. When comparing farms in Manitoba with farms in Canada, fewer farms fall into the lower revenue classes (\$10,000-24,999 and \$25,000-49,999) and a higher percentage of farms fall into the higher revenue classes. In fact, as a percentage, only Quebec has a lower percentage of farms represented in the lowest revenue class (\$10,000-24,999).

Farm Income

While farms in Manitoba are quite diversified, 51.7% of all farms with revenues over \$10,000 are classified as grain and oilseed farms. The only other province with a higher concentration of grain and oilseed farms is Saskatchewan with 75.8% of their farms in the same class. Thus, Manitoba and Saskatchewan are very vulnerable to the depressed global prices for grains and oilseeds.

In 1999 the estimated total value of farm receipts was \$2.95 billion, with receipts from crop production valued at \$1.42 billion and livestock at \$1.31 billion. Realized net income for 1999 was valued at \$260 million, marginally greater than the five-year (1994-1998) average. According to Agriculture and Agri-food Canada forecasts published in March 2000, realized net income for 2000 is expected to increase to \$464 million, because a decrease in crop receipts due to low international prices for

grains and oilseeds will be more than offset by increases in livestock receipts and program payments.

Farmland Values

Overall, the Manitoba market for farmland is up slightly, although the majority of the province shows a holding pattern. Farmland values for 2000 increased 0.6% over 1999, after increasing marginally the year before, and 0.7% in 1998. Throughout the province there are pockets of strong local demand for land in areas of intensive livestock operations and specialty crop production. In contrast, wet growing conditions, low commodity prices and limited production have reduced the demand for land in southwestern Manitoba.

Area Seeded

Total area seeded to grains, oilseeds and special crops increased marginally from 3.95 million hectares (Mha) in 1990 to 3.97 Mha in 1998 but decreased to 3.54 Mha in 1999 due to adverse weather that left 400,000 hectares (ha) too wet to seed. For 2000, Statistics Canada estimates that total area seeded is 3.97 Mha. In general, since 1990, area seeded to wheat has trended downwards. Area seeded to coarse grains (barley, oats, rye, corn and mixed grains) has stayed steady. The area seeded to oilseeds (canola and flax) trended upwards until 1998 when the trend was reversed. There has been a small increase in area seeded to special crops. Summerfallow has dropped 58% since 1990 to 152,000 ha in 2000, while the area seeded to tame hay increased 11% between 1990 and 1999 to 793,200 ha.

GRAINS, OILSEEDS, AND SPECIAL CROPS PRODUCTION AND PROCESSING

Wheat

Since 1990, when the record seeded area for all wheat was 2.21 Mha, the area seeded to wheat has been declining. For 2000, seeded area for wheat recovered by 21.8% from 1999 to 1.57 Mha. As very little durum wheat or winter wheat is grown in Manitoba, most of the area is seeded to **Canada Western Red Spring**. Minimal amounts of Extra Strong, Prairie Spring, and Soft White Spring varieties are grown as well. Since 1996-1997, wheat production and usage has been decreasing, but in 2000-2001 marketings are expected to rebound to 3.3 Mt, along with the increase in area seeded.

In 1999, the value of shipments for flour, prepared cereals and feed reached about \$414.7 million, a 132.1% increase over 1990. Only two of Canada's 26 largest flour mills, ADM Milling in Winnipeg, and Prairie Flour Mills in Elie, are located in Manitoba and have a combined 24-hour capacity of 5,100 hundredweight (cwt). Based on the published capacities of the 26 largest mills in Canada, Manitoba has less than 3% of Canada's milling capacity, although it produces nearly 11% of Canada's wheat. In addition, there are two smaller mills and an ethanol production facility in Manitoba that use wheat as an input. Feed use has been declining, due to abundant supplies of feed barley. A clear majority of the wheat produced in Manitoba is exported in the unprocessed form.

The largest strawboard plant in Canada, Isoboard Enterprises, is located in Elie, Manitoba. Isoboard began operations in 1998, and currently produces about 100-110 million square feet (m²) of medium density fibre strawboard, an environmentally friendly product used in the construction of furniture, cabinetry, and countertops. When Isoboard reaches its capacity, it will produce 144 m² of strawboard and will use 200,000 t of wheat straw per year.

Coarse Grains

The area seeded to coarse grains has fluctuated throughout the 1990s, decreasing until 1993 and then increasing to 1.13 Mha in 1996. Since 1996, area seeded has remained around 1 Mha. **Barley** is the most important coarse grain produced and 505,900 ha was seeded in 2000, an 18% increase over 1999. **Oats** are also an important crop, with 398,600 ha seeded in 2000. Since 1995 the area seeded to **corn** has been expanding, due to the availability of higher yielding, short season hybrids. Both **rye** and **mixed grain** production have been decreasing throughout the latter part of the 1990s.

While the majority of barley produced is destined for the feed market, approximately 15-20% of barley is selected for malting purposes and is either used domestically to produce malt or exported as malting barley. While domestic processors typically prefer 2 row malting varieties, 6 row is preferred by American customers, and as such about 85% of the barley grown in Manitoba is 6 row, due to its

proximity to the U.S. Manitoba has one of the six main malting plants in Canada, Dominion Malting, which sources both 2 row and 6 row varieties from Manitoba and Saskatchewan, and the malt is either used domestically or exported. Because of tight supplies of feed barley in Western Canada due to a growing livestock industry, and high transportation costs, very little feed barley is exported.

Two of the seven major oat processing facilities in Western Canada, Can-Oat Milling in Portage la Prairie and Emerson Milling in Emerson, are located in Manitoba, with a combined daily capacity of 412 tonnes per day. This means that Manitoba has 24% of the processing capacity in Western Canada, while it produces about 26% of the oats. About half of the oats grown in Manitoba are exported in the unprocessed form, with the main customer being the U.S. Smaller quantities of processed products are also exported.

Seagrams Americas operates a whiskey distillery in Gimli, Manitoba and uses domestic corn and imported corn from the U.S.

Oilseeds

The area seeded to oilseeds almost doubled between 1990 and 1994, but declined in both 1995 and 1996. After dramatic growth once again in the latter part of the decade, the seeded area for 2000 declined 7% to 1.13 Mha due primarily to depressed prices and burdensome stocks. **Flaxseed** has been a relatively important crop since the 1940s, but flaxseed production is relatively small compared to **canola**. Large global supplies of edible oils have put downward pressure on canola oil prices, and domestic crushing has slowed down. For 2000-2001 canola usage is expected to increase, but not to the levels experienced in 1997-1998 and 1998-1999. Small amounts of **soybeans** are also grown in Manitoba, and the area seeded has been increasing throughout the 1990s.

Canola is processed at one main crushing facility, Canamera in Altona, Manitoba. Canamera also operates a second plant in Harrowby, Saskatchewan. Due to its proximity to the U.S. border, some canola is imported and crushed at the Altona facility. Exports of unprocessed canola

MANITOBA: GRAINS AND OILSEEDS FARM SUPPLY AND DISPOSITION

| Grain and Crop Year | Area Harvested | Yield | Production | Total Supply | Marketings | Seed | Feed, Waste and Dockage | Total Disposition | Carry-out Stocks |
|-----------------------------------|----------------|-------|------------|--------------|------------|------|-------------------------|-------------------|------------------|
| | 000 ha | t/ha | | | | | | | |
|thousand metric tonnes | | | | | | | | | |
| All Wheat | | | | | | | | | |
| 1998-1999 | 1,307 | 2.46 | 3,220 | 3,275 | 2,752 | 133 | 300 | 3,185 | 90 |
| 1999-2000f | 1,273 | 2.48 | 3,158 | 3,248 | 2,735 | 138 | 285 | 3,158 | 90 |
| 2000-2001f | 1,547 | 2.38 | 3,681 | 3,771 | 3,275 | 138 | 273 | 3,686 | 85 |
| Barley | | | | | | | | | |
| 1998-1999 | 502 | 3.25 | 1,631 | 1,881 | 466 | 40 | 1,125 | 1,631 | 250 |
| 1999-2000f | 405 | 3.00 | 1,215 | 1,465 | 300 | 55 | 960 | 1,315 | 150 |
| 2000-2001f | 481 | 3.30 | 1,586 | 1,736 | 375 | 45 | 1,116 | 1,536 | 200 |
| Oats | | | | | | | | | |
| 1998-1999 | 364 | 2.83 | 1,030 | 1,100 | 633 | 29 | 288 | 950 | 150 |
| 1999-2000f | 295 | 2.89 | 854 | 1,004 | 671 | 33 | 200 | 904 | 100 |
| 2000-2001f | 338 | 2.80 | 947 | 1,047 | 680 | 30 | 210 | 920 | 127 |
| Canola | | | | | | | | | |
| 1998-1999 | 1,105 | 1.63 | 1,803 | 1,813 | 1,580 | 8 | 146 | 1,733 | 80 |
| 1999-2000f | 996 | 1.72 | 1,708 | 1,788 | 1,200 | 8 | 130 | 1,338 | 450 |
| 2000-2001f | 942 | 1.70 | 1,600 | 2,051 | 1,375 | 10 | 145 | 1,530 | 521 |
| Flax | | | | | | | | | |
| 1998-1999 | 275 | 1.31 | 361 | 361 | 300 | 10 | 25 | 336 | 25 |
| 1999-2000f | 202 | 1.34 | 272 | 297 | 175 | 10 | 27 | 212 | 85 |
| 2000-2001f | 173 | 1.47 | 254 | 339 | 200 | 10 | 31 | 241 | 98 |

f: forecast, Agriculture and Agri-Food Canada, July 2000

Source: Statistics Canada "Farm Supply and Disposition in Canada" (Major Grains), May 2000

seed, canola oil and canola meal are significant, with the seed typically moving through the west coast, and the canola oil and canola meal being exported to the U.S. There is a growing amount of specialized canola being produced to meet the needs of customers, such as high-erucic rapeseed produced in Manitoba for customers in the U.S.

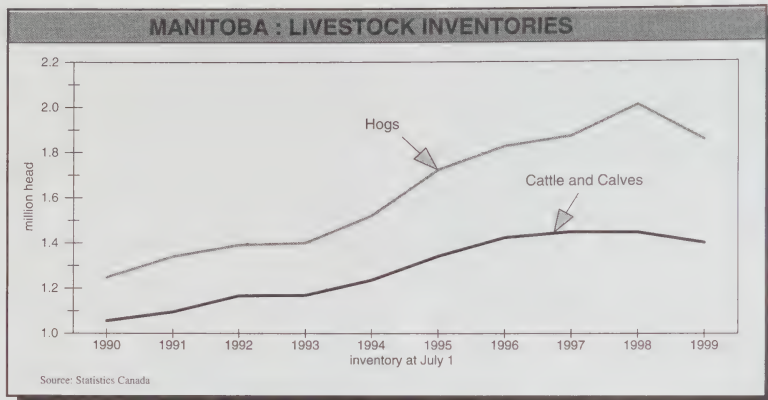
For flax, domestic uses include limited crushing for oil, and grinding for the inclusion of flax in baked goods. Exports of flax typically go to Europe, for inclusion in a number of products from bread to linoleum and paint. Flax straw is also processed by two companies in Winkler, Manitoba, Ecusta Fibres Ltd. and Schweitzer-Mauduit Canada Ltd., who export their product to the U.S. for further processing into paper products.

Special Crops

Manitoba is also a major producer of **dry peas, sunflower seeds, dry white pea beans, coloured beans, canary seed, lentils, buckwheat, and mustard seed**. In the last decade area seeded to special crops has slowly increased to a record of 238,600 ha in 1998 before dropping to 193,400 ha in 1999, mainly due to the wet conditions that existed during seeding in south-western Manitoba. Production grew 71.8%, from 243,600 t in 1990-1991 to a record 418,400 t in 1998-1999 before dropping to 323,500 t in 1999-2000. For 2000, area seeded increased 41.4% to 273,400 ha due to substantial increases in the area seeded to dry beans, dry peas, canary seed, lentils, buckwheat, and sunflower seed, while production is expected to reach a record 455,900 t.

Typically producers deliver special crops to handling facilities where foreign material is removed and the seed cleaned and graded to export standard. Some special crops such as sunflower seed and canary seed, are used domestically in birdseed mixtures.

Manitoba's dry beans are cleaned locally and used for processing into products such as soups and pork and beans, or exported.



Manitoba produces mainly confectionary sunflower seeds, which are mostly used as whole seed for snack food or dehulled for use in baking. Most of the oilseed sunflower seeds, are used for birdseed. The remainder of the oilseed sunflower seeds are exported for crushing into oil and meal.

Dry peas are used for two main purposes, food and feed. Many companies clean, split and bag peas destined for human consumption. As well, there are a number of companies that include peas in their processed food products. One of Canada's two plants that use fractionization technology for processing peas into protein, starch and fibre fractions is located in Manitoba. While some of these products are used by domestic processors as ingredients in their food products, the majority are exported to Europe, and the U.S. Peas are also used in livestock feed, particularly hog rations.

LIVESTOCK PRODUCTION

Cattle

In 1998, about 31% of the farms in Manitoba were classified as cattle farms. Manitoba is Canada's third largest cattle producer, following Alberta and Saskatchewan. In Canada beef cattle production has been in a cyclical contraction since 1997, following the longest expansion phase in history. This pattern is mirrored in Manitoba, where beef cattle inventories increased by 37% between 1990 and 1997, and then fell 3% by 1999. In total, cattle inventories increased by 33% in the 1990s to 1.4 million head (mln hd) as of July 1, 1999. The number of beef cattle in Manitoba is expected to expand as

producers look for viable diversification options. Beef cattle fit well as a complement to grains and oilseeds, as cattle serve as an excellent value-added alternative to exporting grains and oilseeds out of the province. In 1999, farm cash receipts for cattle and calves totaled \$448.7 million, or 15.2% of all receipts.

There are limited processing facilities in Manitoba and as such, most of Manitoba's cattle are sold as slaughter cattle to the U.S. or are shipped as feeder cattle and calves to other provinces for further feeding. In 1999, live cattle exports at \$173.5 million, made up 7.4% of Manitoba's total agri-food exports, making it the third most important commodity, behind wheat and canola.

Hogs

In 1998, 3.9% of farms were classified as hog farms. Manitoba is Canada's third largest hog producing province, after Quebec and Ontario. There has been strong growth in this sector with hog inventories increasing 61% between 1990 and 1998. As of July 1, 1999, hog inventories had decreased by 8% from a year earlier, for a total number of 1.86 mln hd. Despite a decline in the total number of hogs due to increased weanling exports, local hog producers continued to expand their breeding stock by 6% to a record 253,000. In 1999, farm cash receipts for hogs totaled \$481.7 million, or 16.3% of all receipts.

Growth in hog production is being encouraged through the expansion of the local processing industry. In September 1999, Maple Leaf Foods

opened a hog processing facility in Brandon, Manitoba with a slaughter capacity of 4.6 million hogs. As well, in late 1999, J.M. Schneider Inc. announced plans to increase the slaughter capacity of its hog processing plant in Winnipeg from 0.9 mln hd to 4.6 mln hd by 2003. In 2000, total production of hogs is expected to exceed 5 million hogs, while 10 million hogs will be required annually to meet the anticipated demand from Maple Leaf and J.M. Schneider. Further production expansion will occur in Manitoba, while hogs will also be brought in from Alberta, Saskatchewan, Ontario and potentially the U.S. to be processed. As a result of an increase in domestic slaughter capacity, exports of slaughter hogs from Manitoba are expected to decline in 2000 and 2001.

The Manitoba government is building on existing livestock industry regulations and programs through the *Livestock Stewardship Initiative* to protect the environment and to ensure the future of the province's livestock industry. On March 3, 2000, the provincial government announced several immediate actions for environmental monitoring, land use planning, and quality assurance to ensure that industry growth does not occur at the expense of the environment. Through consultation with the public, the provincial government intends to develop a plan for growth that is both viable and sustainable.

Other

Manitoba's equine industry is the third largest in Canada, and is comprised of Canada's largest herd of mares used for pregnant mare's urine (PMU), pleasure horses, and racehorses. Ayert Organics Ltd., the sole purchaser and processor of PMU in North America, is located in Brandon and has allowed Manitoba to develop a viable equine industry over the last 33 years. The PMU industry contributes about \$35-45 million in farm cash receipts annually.

There is also significant production of sheep, goats, honey and beeswax, bison, deer, elk, fur farms, ostriches, wild boar, emus, pheasants, llamas, and rabbits.

Supply Managed Commodities

About 3.1% of the farms in Manitoba were classified as **dairy** farms in 1997, and 1.5% were **poultry** and **egg**, as compared to the Canadian equivalents of 8.8% and 1.8%. Supply managed production is typically concentrated in more populated areas, due to the nature of the products. The prairies appear to have advantages for most supply-managed commodities, attributable primarily to lower feed costs.

When compared to farm cash receipts, dairy farms contributed 5.2% of total Manitoba farm cash receipts in 1999, hens and chickens 1.9%, and eggs for consumption 1.6%. In 1999, dairy receipts accounted for \$152.3 million, a 28.9% increase over 1991. Poultry receipts have increased 44.4% in the same time period, while egg receipts decreased 0.9%.

Dairy products are processed at three fluid milk plants, 11 industrial plants, and three prepackaging plants. The majority of Manitoba's chickens are slaughtered at two primary plants. Turkeys, geese and ducks are also commercially produced in Manitoba. While eggs produced for human consumption fall under the quota system of Supply Management, there has been an expansion of egg production under the "Grow for Processing Program", where eggs are supplied to processors, who have had increasing requirements.

Food Processing

The food and beverage manufacturing sector accounted for \$2.6 billion or 25.1% of the total manufacturing output for Manitoba in 1999. Since 1990 the value of food and beverage shipments has grown 58.6%. This sector is the largest manufacturing sector in Manitoba, exceeding transportation, fabricated and primary metal products, and machinery sectors. The largest food and beverage sub-sectors are meat (25.4%), flour, cereal food and feed (15.9%), dairy products (12.0%), beverages (7.9%), and poultry (5.1%). The U.S. is Manitoba's primary export market, receiving 72.5% of all consumer agri-food products in 1999. Smaller amounts are also exported to Japan, Australia, Mexico, and over 100 other countries.

Outlook

The end of the WGTA made it less profitable to produce grain for export and stimulated value-added processing of grain on the prairies. Currently, due to depressed prices for grains and oilseeds, producers are looking for low input cost solutions for their income in the short-term. As such, more wheat and barley was seeded this year, and the amount of oilseeds has decreased.

In the future, new and improved domestic uses of grains, oilseeds, and special crops will see more value-added production taking place in Manitoba, such as can be seen in the growing hog industry. Livestock production is aided by excellent supplies of feedgrains, and protein supplements for the feed industry are in ample supply from local processors and producers. As well, dried distillers grain, canola meal and feed peas are all available to feed formulators from the province's distillers, canola crushers and pulse crop growers.

With an aim to diversify, Manitoba's producers are also seeking new crops and new markets, such as functional foods and nutraceuticals. For Manitoba's food and beverage manufacturing sector, advantages available include primary inputs, energy, labour and management.

For more information please contact:

Deanna Harrison
Market Analyst

Phone: (204) 983-8474

E-mail: harrisond@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

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500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

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A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| As of Monday July 17 2000 | | | | | | | | | | | | | | | | | |
|--|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | |
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
| Vancouver B.C. | This week | FOB | (1) 142.16 | N/A | 135.66 | (3) 153.00 | (3) 153.00 | 304.00 | (7) 177.50 | 113.00 | 345.00 | (4) 625.00 | 370.00 | | | | 375.00 |
| | Week ago | | (1) 142.16 | N/A | 135.66 | (3) 153.00 | | 312.25 | (7) 186.19 | 113.00 | 345.00 | (4) 625.00 | 370.00 | | | | 365.00 |
| Calgary Alta | This week | FOB | (1) 119.00 | 105.00 | 112.50 | (3) 140.00 | | 294.00 | 180.00 | | 300.00 | (4) 675.00 | 470.00 | | | | 385.00 |
| | Week ago | | (1) 119.00 | 105.00 | 112.50 | (3) 146.00 | | 305.50 | 177.00 | | 300.00 | (4) 675.00 | 470.00 | | | | 375.00 |
| Saskatoon Sask. | This week | FOB | (1) 115.50 | 114.00 | 90.50 | (3) 125.00 | | 283.00 | 163.00 | | 300.00 | (4) N/A | 470.00 | | 137.50 | | 400.00 |
| | Week ago | | (1) 110.00 | 114.00 | 92.50 | (3) 127.00 | | 294.50 | 163.00 | | 310.00 | (4) N/A | 470.00 | | 150.00 | | 400.00 |
| Melfort Sask. | This week | FOB | (1) 117.60 | 111.81 | 100.70 | | | | | | | | | | | | |
| | Week ago | | (1) 119.70 | 111.81 | 101.00 | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | (1) 105.95 | 97.91 | 95.85 | (3) 105.00 | | 268.00 | 163.00 | | 305.00 | (4) 705.00 | 430.00 | | | | 340.00 |
| | Week ago | | (1) 105.35 | 81.38 | 95.25 | (3) 118.00 | | 280.00 | 163.00 | | 305.00 | (4) 705.00 | 430.00 | | | | 340.00 |
| Thunder Bay Ont. | This week | Track | (1) 130.60 | N/A | 105.70 | | | | | | | | | | | | |
| | Week ago | | (1) 132.70 | N/A | 106.00 | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | (3) 104.88 | | | | | | | | | | | |
| | Week ago | Vessel | | | | (3) 109.47 | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | (1) 141.60 | 151.00 | 118.45 | | | | | | | | | | | | |
| | Week ago | | (1) 143.20 | 153.00 | 118.75 | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | (2) 102.55 | | | | | | | | | | | |
| | Week ago | | | | | (2) 104.62 | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | 353.00 | (5) N/A | 445.00 | 380.00 | 110.00 | 187.00 | 425.00 |
| | Week ago | | | | | | | | | | 353.00 | (5) N/A | 445.00 | 380.00 | 110.00 | 185.00 | 422.50 |
| Hamilton Ont. | This week | N/A | | | | | FOB | 288.91 | 170.97 | | | | | | | | |
| | Week ago | | | | | | | 297.18 | 175.93 | | | | | | | | |
| Eastern Ontario | This week | FOB | (2) 117.65 | | | | | | | | | | | | | | |
| | Week ago | | (2) 119.28 | | | | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | 370.00 | 102.00 | | |
| | Week ago | | | | | | | | | | | | | 370.00 | 102.00 | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | 58.50 | | | | 370.00 | | | |
| | Week ago | | | | | | | | | 61.00 | | | | 370.00 | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | 370.00 | 102.00 | | |
| | Week ago | | | | | | | | | | | | | 370.00 | 102.00 | | |
| Montreal Que. | This week | | | | | | | | | | | | | 370.00 | 102.00 | | |
| | Week ago | | | | | | | | | | | | | 380.00 | 112.00 | 215.00 | 400.00 |
| Trois Riv. Que. | This week | In-store | (1) 155.60 | | 142.70 | (2) 124.99 | | 305.45 | 202.38 | 94.00 | 353.00 | (5) 645.00 | 270.00 | 380.00 | 112.00 | 215.00 | 400.00 |
| | Week ago | | (1) 155.70 | | 141.00 | (2) 127.45 | | 315.76 | 203.17 | 99.33 | 353.00 | (5) 645.00 | 270.00 | 380.00 | 112.00 | 215.00 | 400.00 |
| St-Jean Que. | This week | FOB | (1) 153.20 | 115.67 | 132.80 | (2) 121.06 | | | | | | | | | | | |
| | Week ago | | (1) 156.03 | 118.33 | 138.33 | (2) 123.91 | | | | | | | | | | | |
| St-Hyacinthe, Que. | This week | In-store | (1) 155.27 | | 142.03 | (2) 127.36 | FOB | 311.33 | | | | | | | | | |
| | Week ago | | (1) 157.37 | | 142.33 | (2) 129.16 | | 319.23 | | | | | | | | | |
| Truro N.S. | This week | Track | (1) 183.82 | 191.73 | 161.58 | (2) 157.05 | FOB | 329.59 | 221.03 | | 388.50 | | 375.00 | | | | 427.50 |
| | Week ago | | (1) 185.89 | 191.73 | 164.54 | (2) 157.83 | | 327.11 | 213.13 | | 388.50 | | 385.00 | | | | 427.50 |
| Truro N.S. | This week | Water | (1) N/A | N/A | N/A | 171.00 | | | | | | | | | | | |
| | Week ago | & Truck | (1) N/A | N/A | N/A | 171.00 | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | (1) N/A | N/A | N/A | 146.90 | FOB | | | 276.50 | | (5) 549.25 | | | | | |
| | Week ago | | (1) N/A | N/A | N/A | 146.90 | | | | 276.50 | | (5) 549.25 | | | | | |
| Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.4842 as of July 14, 2000 | | | | | | | | | | | | | | | | | |
| Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat No. 1 Feed Oats, No. 1 Canada Western or Eastern Barley No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 31% Protein. Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease. | | | | | | | | | | | | | | | | | |
| 1 Wheat 2 CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley | | | | | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available. US \$1.00 = Can \$1.4842 as of July 14, 2000

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWR5 (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

| B. CASH PRICES AND REPLACEMENT VALUES | | | | As of Monday July 17, 2000 | | | | |
|---------------------------------------|--|--------------------------|--------|----------------------------|----------|----|-----------|----------|
| PRAIRIE GRAINS | | | | | | | | |
| SELECTED POINT | | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay | | Track | WHEAT | 130.60 | 132.70 | | 135.20 | 140.40 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 105.70 | 106.00 | | 106.60 | 121.90 |
| To: Bayports, Ont. | | In-store | WHEAT | 153.70 | 155.80 | 1. | 158.30 | 161.96 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 132.85 | 133.15 | 1. | 133.75 | 148.65 |
| Montreal, Que. | | In-store | WHEAT | 158.45 | 160.55 | 1. | 163.05 | 167.03 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 137.97 | 138.27 | 1. | 138.87 | 153.70 |
| Moncton, N.B | | Truck via Halifax | WHEAT | 180.92 | 183.02 | | 185.52 | 188.28 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 164.33 | 164.63 | | 165.23 | 175.23 |
| Truro, N.S. | | Truck via Halifax | WHEAT | 178.42 | 180.52 | | 183.02 | 185.78 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 159.45 | 159.75 | | 160.35 | 172.73 |
| Halifax, N.S. | | In-store | WHEAT | 165.75 | 167.85 | 1. | 170.35 | 175.59 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 145.77 | 146.07 | 1. | 146.67 | 161.74 |
| Stephenville, Nfld. | | Track / Truck via Sydney | WHEAT | 225.53 | 227.63 | | 230.13 | 235.33 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 212.84 | 213.14 | | 213.74 | 224.57 |
| From: Melfort, Sask. | | FOB | WHEAT | 117.60 | 119.70 | | 121.20 | 121.40 |
| | | | OATS | 111.81 | 111.81 | | 88.92 | 115.75 |
| | | | BARLEY | 100.70 | 101.00 | | 97.60 | 102.90 |
| To: Bayports, Ont. | | Track | WHEAT | 173.72 | 175.82 | | 177.32 | 177.50 |
| | | | OATS | 170.68 | 170.68 | | 147.79 | 181.12 |
| | | | BARLEY | 154.09 | 154.39 | | 150.99 | 159.70 |
| Montreal, Que. | | Track | WHEAT | 174.47 | 176.57 | | 178.07 | 178.26 |
| | | | OATS | 171.58 | 171.58 | | 148.69 | 182.02 |
| | | | BARLEY | 154.91 | 155.21 | | 151.81 | 160.52 |
| Moncton, N.B. | | Track | WHEAT | 195.65 | 197.75 | | 199.25 | 199.43 |
| | | | OATS | 194.92 | 194.92 | | 172.03 | 205.09 |
| | | | BARLEY | 167.02 | 167.32 | | 163.92 | 182.08 |
| Truro, N.S. | | Track | WHEAT | 195.82 | 197.92 | | 199.42 | 199.60 |
| | | | OATS | 195.89 | 195.89 | | 173.00 | 208.53 |
| | | | BARLEY | 180.64 | 180.94 | | 177.54 | 183.09 |
| Stephenville, Nfld | | Track / Truck via Sydney | WHEAT | 239.16 | 241.26 | | 242.76 | 242.93 |
| | | | OATS | 243.27 | 243.27 | | 220.38 | 253.44 |
| | | | BARLEY | 228.93 | 229.23 | | 225.83 | 231.39 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|---|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 104.88 | 109.47 | | 117.08 | 108.40 |
| To: Montreal, Que. (US Corn) | In-store | | 123.78 | 128.37 | 1 | N/A | 126.40 |
| From: Saginaw (Mi) | Track | | 96.70 | 100.73 | | 107.81 | 104.90 |
| To: Montreal, Que. (US Corn) | Track | | 124.24 | 128.27 | | 135.35 | 137.20 |
| From: Chatham | Track | | 102.55 | 104.62 | | N/A | 107.38 |
| To: Montreal, Que. | Track | | 125.44 | 127.51 | | 134.79 | 131.93 |

| | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 288.91 | 297.18 | | 309.64 | 222.44 |
| To: Montreal, Que. | Track | | 311.38 | 319.65 | | 332.11 | 246.11 |
| Moncton, N.B. | Track | | 328.69 | 336.96 | | 349.42 | 263.46 |
| Truro, N.S. | Track | | 331.66 | 339.93 | | 352.39 | 266.60 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 380.92 | 389.19 | | 401.65 | 313.90 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

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OATS: SITUATION AND OUTLOOK

The world oat market in 1999-2000 was characterized by a continuation of historically low prices, high United States (U.S.) demand for oats, and high European Union (EU) subsidies. In Canada, despite relatively high carry-in stocks, oat supplies decreased as farmers lowered production in response to low prices. Canada has maintained its level of oat exports despite lower domestic supplies and strong competition from the EU. For 2000-2001, oat supplies in Canada are forecast to decrease slightly but exports are expected to remain high due to strong demand in the U.S. Oat prices in Canada will continue to be pressured by low corn and oat prices in the U.S. and competition from the EU in the U.S. import market. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for oats.

WORLD: 1999-2000

The oat market is strongly influenced by the general market for coarse grains. In 1999-2000, although world **coarse grain supplies** increased only slightly, they remained burdensome as significantly higher **carry-in stocks** offset a decrease in **production**. Corn represents about 70% of the world coarse grain market. The situation was similar in the U.S. where the supply of corn rose, with a 12 million tonne (Mt) increase in carry-in stocks offsetting an 8 Mt decrease in U.S. production. In response, the average U.S. farm price decreased from US\$1.94 per bushel (/bu) in 1998-1999 to US\$1.80/bu in 1999-2000.

World **oat supply** decreased slightly in 1999-2000 due to lower carry-in stocks and lower production. The United States Department of Agriculture (USDA) estimates that **production** decreased to 24.8 Mt, from 26.0 Mt in 1998-1999 and the 10-year average of 33.0 Mt, mainly due to lower production in the U.S. and Canada. Production continues to show a long-term downward trend, especially in Russia where it decreased to 4.4 Mt in 1999-2000, less than half of the 10-year average of 9.9 Mt.

World **oat consumption** decreased by about 5% to 25.9 Mt in 1999-2000. This is significantly lower than the 10-year average of 32.9 Mt, largely due to lower consumption in Russia. **Food use** has steadily decreased from the peak in 1990-1991 of 7.4 Mt, to an average of

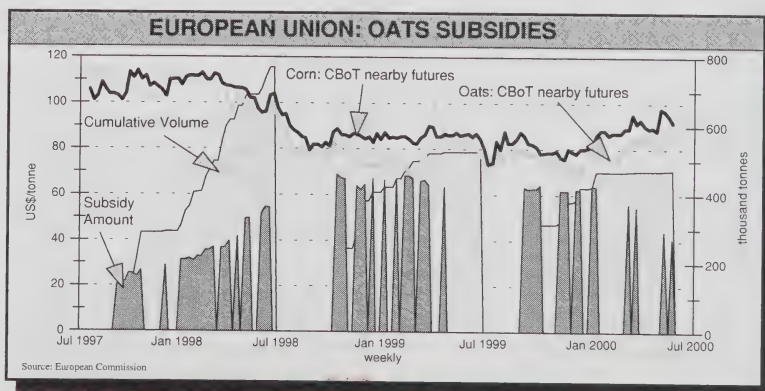
6.8 Mt over the past ten years. Per capita food consumption of oats has decreased considerably in most countries, except in Canada where food and industrial use of oats has increased from 95,000 tonnes (t) in 1988-1989 to 220,000 t in 1999-2000. Conversely, in Russia, with little year-to-year variation, the food use of oats has averaged 2.1 Mt during the past ten years resulting in a decrease in per capita consumption.

World **trade** in oats is expected to increase from 1.9 Mt in 1998-1999 to 2.1 Mt in 1999-2000 due largely to an expected 0.15 Mt increase in imports by the U.S. The U.S. is the largest import market for oats and its share of world imports has averaged over 80% during the past decade. For 1999-2000, that share is expected to be about 80%. Canada dominates the world export market for oats and it is estimated to have met 60% of total world demand in 1999-

2000, followed by Sweden (14%), Finland (8%), and Australia (7%). Australia's oat exports increased significantly in 1997-1998 when the U.S. removed its ban on Australian oats. The U.S. had previously banned the import of Australian oats because of concerns about diseases being transmitted by shipments of Australian grain.

United States

For 1999-2000, U.S. **oat production** decreased to 2.1 Mt, 11% below 1998-1999 and 38% lower than the 10-year average. The major oat producing states (percentage of production in parenthesis) are: North Dakota (14); Minnesota (12); Wisconsin (12); South Dakota (8); and Iowa (7). In terms of seeded area, Texas (14), California (6), and Montana (4) are also significant but only 10-20% of the seeded area in these



states is harvested for grain, with the remainder either cut for greenfeed or used for grazing cattle.

U.S. oat production has decreased significantly over the past ten years due largely to more favourable net returns for other crops such as soybeans and corn. Furthermore, record high U.S. corn production and high EU subsidies have

pressured feedgrain prices in general.

U.S. oat imports service the milling market, the feed market for race/hobby horses in the southern U.S. and the general feed market for livestock. The **milling market** is serviced largely by Canada because of lower transportation costs associated with the proximity of Canadian supplies. Millers also like the consistency and reliability of Canadian oat supplies. In 1999-2000, between 60 and 70% of Canadian oats exported to the U.S. are expected to be used for milling purposes. The remainder of Canadian exports are primarily for feed rations in the northern states, with some shipments of oats destined for southern U.S. markets. In the southern states, Canada faces strong competition from subsidized EU oats and is particularly disadvantaged at locations that are close to Gulf ports and therefore benefit from relatively low transportation costs.

UNITED STATES: OATS IMPORTS BY COUNTRY OF ORIGIN

| October-September Crop Year | 1998 -1999 | 1999 -2000e | 2000 -2001f |
|--------------------------------|---------------|----------------|----------------|
|million tonnes..... | | | |
| Canada ^{1/} | 1.10 | 1.26 | 1.26 |
| Sweden | 0.32 | 0.33 | 0.32 |
| Finland | 0.12 | 0.14 | 0.14 |
| Other | <u>0.06</u> | <u>0.02</u> | <u>0.03</u> |
| Total | 1.60 | 1.75 | 1.75 |

^{1/} August-July crop year

e: estimate, AAFC, August 2000

f: forecast, AAFC, August 2000

Source: USDA, FAS

WORLD: OATS SUPPLY AND DISPOSITION

| | 1998 -1999 | 1999 -2000e | 2000 -2001f |
|---------------------------------------|---------------|----------------|----------------|
|million tonnes..... | | | |
| Production ^{1/} | | | |
| Russia | 4.60 | 4.40 | 4.50 |
| Canada | 3.96 | 3.64 | 3.61 |
| U.S. | 2.41 | 2.12 | 2.20 |
| Australia | 1.88 | 1.48 | 1.45 |
| Sweden | 1.14 | 1.20 | 1.30 |
| Finland | 0.98 | 0.99 | 1.30 |
| Other | <u>11.03</u> | <u>10.93</u> | <u>10.72</u> |
| World | 26.00 | 24.76 | 25.08 |
| Imports ^{2/} | | | |
| U.S. | 1.60 | 1.75 | 1.75 |
| Japan | 0.08 | 0.09 | 0.09 |
| Other | <u>0.21</u> | <u>0.28</u> | <u>0.27</u> |
| World | 1.89 | 2.12 | 2.11 |
| Consumption ^{1/} | | | |
| Russia | 5.57 | 5.38 | 4.53 |
| U.S. | 4.13 | 3.90 | 3.87 |
| Canada | 2.23 | 2.18 | 2.21 |
| Australia | 1.65 | 1.30 | 1.28 |
| Finland | 0.78 | 0.74 | 0.80 |
| Sweden | 0.77 | 0.80 | 0.75 |
| Other | <u>11.77</u> | <u>11.59</u> | <u>11.55</u> |
| World | 26.90 | 25.89 | 24.99 |
| Exports ^{2/} | | | |
| Canada | 1.25 | 1.28 | 1.28 |
| Sweden ^{3/} | 0.26 | 0.30 | 0.30 |
| Finland ^{3/} | 0.15 | 0.18 | 0.18 |
| Australia | 0.15 | 0.15 | 0.15 |
| Other | <u>0.08</u> | <u>0.21</u> | <u>0.20</u> |
| World | 1.89 | 2.12 | 2.11 |
| Carry-out Stocks ^{1/} | | | |
| U.S. | 1.18 | 1.10 | 1.12 |
| Canada | 1.09 | 1.05 | 0.95 |
| Finland | 0.10 | 0.15 | 0.30 |
| Australia | 0.18 | 0.20 | 0.22 |
| Sweden | 0.13 | 0.13 | 0.13 |
| Other | <u>1.99</u> | <u>0.91</u> | <u>0.91</u> |
| World | 4.67 | 3.54 | 3.63 |

^{1/} Local marketing year

^{2/} October-September crop year

^{3/} AAFC, August 2000 estimate

e: estimate, USDA, August 2000

f: forecast, USDA, August 2000

Source: United States Department of Agriculture

UNITED STATES: OATS SUPPLY AND DISPOSITION

| | 1998 -1999 | 1999 -2000e | 2000 -2001f |
|---|---------------|----------------|----------------|
| Harvested Area (mln ac.) | 2.8 | 2.5 | 2.5 |
| Yield (bu/ac.) | 60.2 | 59.6 | 61.8 |
|million bushels..... | | | |
| Carry-in Stocks | 74 | 81 | 76 |
| Production | 166 | 146 | 153 |
| Imports | <u>108</u> | <u>99</u> | <u>100</u> |
| Total Supply | 348 | 326 | 329 |
| Food, Seed & Industrial Use | 69 | 68 | 68 |
| Feed, Waste & Dockage | <u>196</u> | <u>180</u> | <u>180</u> |
| Total Domestic Use | 265 | 248 | 248 |
| Exports | 2 | 2 | 2 |
| Total Use | 267 | 250 | 250 |
| Carry-out Stocks | 81 | 76 | 79 |
| Average farm price (US\$/bu) | \$1.1 | \$1.1 | -1.35 |

Note: All Imperial measurements are based on 32 lb/bu weight, except imports which are based on 38 lb/bu.

e: estimate, USDA, August 2000

f: forecast, USDA, August 2000

Source: United States Department of Agriculture

As a result, the **horse market** in the southern U.S. is largely serviced by the EU.

The **general feed market** for oats is highly competitive with other feedgrains, especially corn, since the market is quite price-responsive with a high degree of substitutability.

European Union

The EU is a major player in the world oat market and it continues to offer large subsidies on oat exports. The European Commission's objective is to ensure that

oats remains a profitable crop for Scandinavian farmers to grow relative to barley which is subject to intervention. The Commission does not want to see Scandinavia convert oat acres to barley acres, which would contribute to a larger barley surplus.

For 1999-2000, the EU subsidy on oats has averaged about US\$62.50/t compared to US\$66.77/t in 1998-1999 and US\$33.79/t in 1997-1998. The total value of this subsidy is estimated at about US\$30 million for 1999-2000.

EU oat **production** decreased marginally

to 6.1 Mt in 1999-2000, mainly due to lower production in countries other than Sweden and Finland. Production increased in Sweden and Finland but, due to low carry-in stocks, supplies and exports decreased slightly. EU exports declined from 0.6 Mt in 1998-1999 to 0.5 Mt in 1999-2000. Oat **consumption** decreased as lower feed use offset higher food use.

CANADA

The area of oats harvested in Canada averaged 1.3 million hectares (mln ha) over the last decade, ranging from 0.8 mln ha in 1991-1992 to 1.7 mln ha in 1996-1997. Unlike Scandinavia, Australia and the U.S. where oat production has declined in recent years, Canada's oat production has increased.

In Western Canada, there has been a shift in the major production regions since the Western Grain Transportation Act was repealed in 1995. Oat production has shifted from regions in southern Alberta to regions in eastern Saskatchewan and Manitoba, which are closer to the Minneapolis market. With that shift, Alberta's share of Western Canadian oats production dropped to about 25%, about half of what it was prior to removal of the subsidy.

Exports

Canada's share of the world export market for oats and oat products is estimated at 80% for 1999-2000, with exports of 1.55 Mt (August-July), virtually the same as in 1998-99 but considerably higher than the 10-year average of 1.15 Mt.

About 95% of Canada's oat exports are destined for markets in the northeastern U.S., although some of those exports are redirected to the U.S. Midwest feed market. Japan is also one of Canada's dependable customers, importing a small volume of oats each year.

Prices

Since January 1999, Chicago Board of Trade (CBOT) oat prices have averaged 92% of CBOT corn prices on a per tonne basis and, on occasion, oats have even traded at a premium to corn. On average, the price differential between corn and oats is a discount of CAN\$10 per tonne. A similar price comparison on a per bushel basis is more complicated because there are two bushel measures:

the Winchester bushel (32 lb/bu) used by the U.S.; and Canada's Imperial bushel (34 lb/bu). This is further complicated by the fact that the USDA uses 38 lb/bu as the standard for oat imports. Regardless of the measure used, the differential between corn and oat prices on a per bushel basis is considerably higher than on a per tonne basis simply because corn has a much higher bushel weight than oats.

Oat prices in the U.S. are affected by EU subsidized oats entering the U.S. market, which in turn may affect prices to Canadian producers. In addition, Chicago and Minneapolis oats futures are pressured by U.S. loan deficiency payments for corn and oats, which were US\$0.27/bu on 77% of the corn crop, and US\$0.23/bu on 84% of the oat crop in 1999-2000.

The cash **price** for oats in Western Canada is determined by the Minneapolis cash market price, adjusted for transportation costs and local supply and demand conditions. The Minneapolis cash price is usually at a slight premium to the CBoT cash price for oats, which tracks CBoT corn prices quite closely. Canadian oat prices decreased from an average of \$132/t in-store Minneapolis for 1998-1999 to \$128/t for 1999-2000.

OUTLOOK: 2000-2001

World

The world **supply** of oats is expected to increase slightly to 29.0 Mt as a 1% increase in **production** is offset by the second lowest **carry-in stocks** in a decade. For the exporting countries, the major increase in world oat supplies is largely due to an increase in EU oat production.

In the **U.S.**, **supplies** are forecast to be virtually unchanged from 1999-2000 as a slight increase in **production** is offset by small decrease in **carry-in stocks**. Although area seeded to oats has decreased slightly, a larger

proportion of the seeded crop is expected to be harvested, leaving harvested area virtually unchanged from the previous year. **Consumption** is forecast to remain stable for both food and feed purposes, and imports are expected to be up slightly from the previous year. Although the EU and Canada will continue to be the major exporters of oats to the U.S., Australia is also expected to be very competitive in this important market. Oat **prices** in the U.S. will continue to be pressured by burdensome corn supplies, especially if U.S. corn production reaches the near-record USDA forecast of 10.4 billion bushels.

For the **EU**, oat **production** is forecast by the USDA to increase by about 12% to 6.8 Mt. Sweden's oat production is forecast to increase by 8% to 1.3 Mt and, with a return to more favourable growing conditions for 2000-2001, Finland is expected to increase oat production by over 30% to 1.3 Mt, which is more in line with their 10-year average of 1.2 Mt. With

CANADA: OATS SUPPLY AND DISPOSITION

| <i>August-July crop year</i> | 1998 -1999 | 1999 -2000e | 2000 -2001f |
|----------------------------------|-----------------------|------------------------|------------------------|
| Harvested Area (000 ha) | 1,592 | 1,398 | 1,360 |
| Yield (t/ha) | 2.49 | 2.60 | 2.61 |
|thousand tonnes..... | | | |
| Carry-in Stocks | 846 | 1,088 | 975 |
| Production | 3,958 | 3,641 | 3,544 |
| Imports | 3 | 4 | 3 |
| Total Supply | 4,807 | 4,733 | 4,522 |
| Human Food | 226 | 220 | 225 |
| Seed, Loss in Handling | 187 | 160 | 165 |
| Feed, Waste & Dockage | 1,815 | 1,828 | 1,832 |
| Total Domestic Use | 2,228 | 2,208 | 2,222 |
| Exports: grain | 1,249 | 1,300 | 1,300 |
| products | 242 | 250 | 250 |
| Total Exports | 1,491 | 1,550 | 1,550 |
| Total Use | 3,758 | 3,758 | 3,772 |
| Carry-out Stocks | 1,088 | 975 | 750 |
| Stocks-to-Use Ratio (%) | 29.0 | 25.9 | 19.9 |
| Prices (CANS/t)* | \$132 | \$128 | \$110-140 |
| Harvested Area (mln ac.) | 3.93 | 3.45 | 3.47 |
| Yield (bu/ac.) | 65.3 | 68.2 | 67.4 |
| Production (mln bu) | 256.6 | 236.1 | 233.8 |

* 1999-2000: basis track Minneapolis, delivery only allowed in Western Canada.

e: estimate, Agriculture and Agri-Food Canada, August 2000

f: forecast, Agriculture and Agri-Food Canada, August 2000

Source: Statistics Canada and Agriculture and Agri-Food Canada

COMMERCIAL AND INDUSTRIAL USE OF OATS

In addition to traditional markets for feed and human consumption, Canadian processors are developing lucrative markets for non-traditional products derived from oats. Ceapro Inc. is a good example of an emerging biotechnology company specializing in the application of advanced separation technology to extract phytochemicals.

With headquarters in Edmonton, Alberta and production facilities located at the Alberta Food Processing Development Centre in Leduc, Alberta, Ceapro provides the pharmaceutical, nutraceutical, functional food, cosmetic and personal care, and veterinary markets with novel botanical extracts fingerprinted for specific functional activity. Their products include colloidal oat extract, which is used to treat skin inflammation and is also known for its anti-oxidant properties. Another product is beta glucan, which is derived from high fibre oat bran and is believed to lower cholesterol, promote healing of wounds, and improve skin condition.

Ceapro is reputed to have the number one veterinary oat shampoo in Japan's animal health market, achieving a market share in excess of 9% in the past two years. An indication of the magnitude of this market is Ceapro's July 18, 2000 announcement of a purchase order for a 40 foot container-load of their oat shampoo destined for a customer in Osaka, Japan.

increased production in the two Scandinavian countries, and **consumption** expected to increase only slightly, their combined **exports** are forecast to increase significantly for 2000-2001, barring any harvesting problems.

For **Australia**, oat **production** is forecast to decrease marginally to 1.45 Mt. **Exports** are forecast to remain unchanged at 0.15 Mt as Australia plans to maintain its share of the world feed market.

For **Canada**, **area seeded** to oats has decreased by 3% as farmers shifted area into crops that offered higher expected returns. However, the harvested area as a percent of seeded area is expected to increase from previous years. Some of the oat crop is cut for greenfeed and the proportion varies from year to year, depending on feed availability and crop conditions. **Production** is forecast to decline slightly to 3.5 Mt and the **supply** of oats is expected to decrease

marginally.

This forecast is dependent on the possible effects of excessive rainfall on production in parts of Manitoba and Saskatchewan, some of which are major oat producing regions. Oat **exports** from Canada are forecast at 1.55 Mt, unchanged from 1999-2000. Of that total, 0.25 Mt are forecast to be exports of oat products, the same as in 1999-2000. Exports of oats to the U.S. are forecast at 1.3 Mt, similar to 1999-2000. It is expected that Canada will maintain or increase slightly its share of exports to the U.S. Depending on how aggressive EU export subsidies are, southern regions of the U.S. could receive lower volumes of Scandinavian oats in 2000-2001.

Carry-out stocks are forecast to decrease by about 23%, to 0.75 Mt, as a result of lower supplies and slightly higher domestic use.

PRICES

The average U.S. farm price of oats is

forecast by the USDA at US\$0.95-1.35/bu for 2000-2001, versus US\$1.10/bu in 1999-2000. Assuming an exchange rate of US\$1=CAN\$1.43, the Canadian oat price (No. 3 CW, Winnipeg Commodity Exchange, in-store Minneapolis) is forecast to average CAN\$125/t, versus CAN\$128 in 1999-2000. After allowing for deductions for transportation and local supply and demand conditions, an average farm price of CAN\$80/t is expected for oats in Western Canada.

For more information please contact:

Stan Spak
Market Analyst
Phone: (204) 983-8467
E-mail: spaks@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

EU POLICY

The EU's reform of their Common Agricultural Policy (CAP) in 1992 included the introduction of direct area payments as compensation for lower intervention prices. Although they were not intended to be a permanent feature, these direct area payments now represent about half of EU net farm receipts.

Under **Agenda 2000**, direct area payments will be increased from €54.35/t to €58.67/t in 2000-2001 and €63.00/t in 2001-2002, and farmers will be eligible to receive these payments provided that they continue to set aside 10% of their arable land. Prior to the 1999-2000 crop year, a set aside of 5% was required.

On July 1, 2000 the cereal intervention price was reduced from €119.19/t to €110.25/t. Another 7.5% reduction is scheduled for July 1, 2001 which will bring the intervention price to €101.31/t. Any further reductions in the intervention price will depend on market conditions.

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Market Analysis Division,
Strategic Policy Branch,
Marketing Policy Directorate,
Agriculture and Agri-Food Canada,
500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524
Editor: Gordon MacMichael
E-mail: macmichaeltg@em.agr.ca

Director: Maggie Liu
Chief: Fred Oleson

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AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Strategic Policy Branch - Market Analysis Division - Winnipeg, Manitoba
CANADIAN GRAINS AND OILSEEDS OUTLOOK **AUGUST 28, 2000**

Canadian grain and oilseed production for 2000-01 is forecast at 62.6 million tonnes (Mt) by AAFC, 3.6 Mt below 1999-00, based on Statistics Canada's July 31 production estimates (except for corn and soybeans, which are forecast by AAFC).

In western Canada, harvest has begun and is reported to be slightly ahead of normal. In Manitoba and Saskatchewan, yields are estimated to be slightly above average, due to cool and wet growing conditions, although substantially below the record or near record yields of last year. In Alberta, yields are estimated to be below average due to drought in the southern part of the province. In Ontario, excessive rain resulted in late seeding and re-seeding of corn and soybeans. Cool, wet conditions have increased the risk of disease and lowered corn yields. Soybean yields however, will be heavily dependent on weather conditions over the next month. Wet weather over the summer caused severe fusarium damage to winter wheat in Ontario.

Total exports of grains and oilseed are forecast to decline marginally, to 28.1 Mt in 2000-01. Exports of durum, barley, canola and flaxseed are expected to increase, while exports of spring wheat and corn are forecast to decrease from 1999-00. In general, Canadian grain and oilseed prices are expected to remain similar to, or decline from, 1999-00, except for 2-Row designated barley and flaxseed prices which are forecast to increase slightly.

WHEAT (ex-durum)

For 1999-00, exports rose significantly, but remained well below the 10-year average of 16 Mt. Carry-out stocks are estimated to increase, due to the larger crop and slow export demand, but are below the 10-year average of about 7 Mt. For 2000-01, production is estimated to decline, due to a combination of a smaller harvested area and a return to normal yields. Due to reduced supplies, exports are forecast to fall by 7%. Feed use is expected to decline, assuming normal crop quality and larger supplies of barley in western Canada. Carry-out stocks are expected to fall to near-pipeline levels. The August Canadian Wheat Board (CWB) 2000-01 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is down by \$9/t from July, at \$153-183/t in-store Vancouver/St. Lawrence, with the midpoint \$1/t below the 1999-00 PRO for No. 1 CWRS. Ontario wheat production is forecast to decline by 3% to 1.46 Mt, due to a smaller harvested area. The Ontario Wheat Producers' Marketing Board's Estimated Pool Return for No.1 CEWW wheat is \$105-115/t, terminal or processor position, versus the final realized price of \$105.78/t for 1999-00.

DURUM

For 1999-00, exports declined by 7%, due to low supplies of high quality durum. Carry-out stocks are estimated to have fallen sharply, due to lower production and relatively strong exports. For 2000-01, production is estimated to rise by 27% from the below normal 1999 level, due to a 47% increase in area, with yields returning to near-normal. Supplies are expected to reach a record 7.1 Mt. Exports are projected to increase, due to strong demand resulting from drought in North Africa, but this will be limited by strong competition from other exporters. As a result, carry-out stocks are projected to rise. The CWB PRO for No.1 CWAD 11.5% protein is unchanged from July, at \$171-201/t, with the midpoint \$19/t below the 1999-00 PRO for No. 1 CWAD.

BARLEY

For 1999-00, exports rose sharply but were below the 10-year average of 3.5 Mt. Carry-out stocks are estimated to fall due to higher exports and domestic use.

For 2000-01 production is estimated to increase, due to the larger harvested area. Domestic feed barley use is forecast to rise due to higher cattle numbers in western Canada. Feed barley exports are expected to increase but remain relatively low, while malting barley exports are expected to rise slightly. Carry-out stocks are forecast to decline. Off-Board feed barley prices are expected to decrease slightly from 1999-00, due to lower US feedgrain prices. The August CWB PRO for No.1 CW feed barley is down by \$4/t from July, at \$115-145/t, with the midpoint \$5/t below 1999-00. The PRO for Special Select (SS) 2-Row designated barley is up by \$5/t from July, at \$176-206/t with the midpoint \$4/t above 1999-00. The discount for SS 6-Row is \$23/t versus \$5/t for 1999-00.

OATS

For 1999-00, exports increased slightly, while domestic use was unchanged. Carry-out stocks are estimated to decrease by 10% due to lower production. For 2000-01, production is estimated to decrease slightly. The lower production and lower carry-in stocks will reduce supplies again this year. Exports are forecast to remain stable. Carry-out stocks are projected to decrease sharply, but oat prices are forecast to decrease slightly as the larger US corn crop continues to pressure feedgrain prices.

CORN

For 1999-00, net imports are estimated to reach 0.45 Mt. Despite higher domestic use, carry-out stocks are forecast to rise by 7%. For 2000-01, production is forecast to decrease sharply, causing net imports to increase to about 1.05 Mt. Domestic use is expected to remain stable as higher industrial use offsets slightly lower feed use. Despite projected lower carry-out stocks, Ontario corn prices are expected to decline marginally due to pressure from the large US corn crop, but Ontario corn is expected to be priced on an import-competitive basis.

CANOLA

For 1999-00, the record production resulted in record high supplies and near-record exports. Domestic crush decreased slightly because of increased global vegetable oil

supplies. Consequently, carry-out stocks are estimated to have more than tripled. For 2000-01, supplies are expected to only decrease marginally as the 20% drop in production is offset by sharply higher carry-in stocks. Exports are forecast to increase slightly, particularly to Japan and Mexico, due to reduced competition from the EU and Australia as they scale back on production. Domestic crush is also forecast to increase slightly due to improved crush margins and increased world consumption of vegetable oil. Carry-out stocks are projected to decline by 14%, to 1.8 Mt, which would still be the second highest on record. Canola prices are expected to fall by about 5%.

FLAXSEED (excluding solin)

For 1999-00, carry-out stocks are estimated to rise by about 140% due to the significant decline in exports to the EU. For 2000-01, supplies are expected to decrease slightly, as higher carry-in stocks only partly offset the decline in production. Exports are forecast to return to normal levels due to lower production and increased import demand in the EU. Carry-out stocks are forecast to decline but remain historically high. Prices are forecast to increase slightly.

SOYBEANS

For 1999-00, carry-out stocks are forecast to increase as higher imports offset record high crush and exports. For 2000-01, production is forecast to decline slightly. Domestic use is expected to rise slightly due to increased crush. Exports are forecast to remain steady at record highs due to increased world demand. Carry-out stocks are expected to remain similar to 1999-00. Chatham prices are forecast to decrease by 5-10%, mainly due to lower US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains..Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca

CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

AUGUST 28, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1998-1999 | 2,914 | 2.07 | 6,042 | 3 | 6,802 | 3,851 | 182 | 651 | 1,003 | 1,948 | 201 |
| 1999-2000f | 1,760 | 2.42 | 4,259 | 9 | 6,216 | 3,575 | 190 | 531 | 971 | 1,670 | 205 * |
| 2000-2001f | 2,580 | 2.10 | 5,427 | 1 | 7,098 | 4,000 | 195 | 693 | 1,098 | 2,000 | 171-201 ** |
| Wheat Except Durum | | | | | | | | | | | |
| 1998-1999 | 7,764 | 2.32 | 18,034 | 77 | 23,363 | 10,872 | 2,660 | 3,417 | 6,904 | 5,587 | 184 |
| 1999-2000f | 8,606 | 2.63 | 22,600 | 5 | 28,192 | 14,744 | 2,650 | 3,983 | 7,448 | 6,000 | 169 * |
| 2000-2001f | 8,314 | 2.40 | 19,990 | 10 | 26,000 | 13,700 | 2,675 | 3,760 | 7,300 | 5,000 | 153-183 ** |
| All Wheat | | | | | | | | | | | |
| 1998-1999 | 10,678 | 2.25 | 24,076 | 80 | 30,165 | 14,723 | 2,842 | 4,068 | 7,907 | 7,535 | |
| 1999-2000f | 10,367 | 2.59 | 26,859 | 14 | 34,408 | 18,319 | 2,840 | 4,514 | 8,419 | 7,670 | |
| 2000-2001f | 10,894 | 2.33 | 25,417 | 11 | 33,098 | 17,700 | 2,870 | 4,453 | 8,398 | 7,000 | |
| Barley | | | | | | | | | | | |
| 1998-1999 | 4,272 | 2.98 | 12,709 | 55 | 15,223 | 1,695 | 375 | 10,034 | 10,791 | 2,737 | 117 |
| 1999-2000f | 4,069 | 3.24 | 13,196 | 32 | 15,965 | 2,500 | 395 | 10,315 | 11,165 | 2,300 | 110 |
| 2000-2001f | 4,661 | 3.03 | 14,122 | 30 | 16,452 | 3,000 | 395 | 10,402 | 11,202 | 2,250 | 90-120 |
| Corn | | | | | | | | | | | |
| 1998-1999 | 1,118 | 8.01 | 8,952 | 893 | 10,737 | 830 | 1,845 | 7,147 | 9,023 | 885 | 110 |
| 1999-2000f | 1,140 | 7.97 | 9,095 | 900 | 10,880 | 450 | 2,000 | 7,450 | 9,481 | 950 | 106-108 |
| 2000-2001f | 1,170 | 7.04 | 8,231 | 1,300 | 10,481 | 250 | 2,100 | 7,300 | 9,431 | 800 | 90-120 |
| Oats | | | | | | | | | | | |
| 1998-1999 | 1,592 | 2.49 | 3,958 | 3 | 4,807 | 1,491 | 226 | 1,815 | 2,228 | 1,088 | 132 |
| 1999-2000f | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,550 | 220 | 1,828 | 2,208 | 975 | 128 |
| 2000-2001f | 1,360 | 2.61 | 3,544 | 3 | 4,522 | 1,550 | 225 | 1,832 | 2,222 | 750 | 110-140 |
| Rye | | | | | | | | | | | |
| 1998-1999 | 204 | 1.96 | 398 | 0 | 462 | 80 | 57 | 139 | 215 | 166 | |
| 1999-2000f | 169 | 2.29 | 387 | 10 | 563 | 90 | 65 | 190 | 273 | 200 | |
| 2000-2001f | 125 | 2.22 | 277 | 1 | 478 | 80 | 65 | 155 | 238 | 160 | |
| Mixed Grains | | | | | | | | | | | |
| 1998-1999 | 198 | 2.77 | 548 | 0 | 548 | 0 | 0 | 548 | 548 | 0 | |
| 1999-2000f | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001f | 136 | 2.88 | 390 | 0 | 390 | 0 | 0 | 390 | 390 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1998-1999 | 7,384 | 3.60 | 26,565 | 952 | 31,777 | 4,096 | 2,503 | 19,682 | 22,805 | 4,876 | |
| 1999-2000f | 6,929 | 3.86 | 26,766 | 946 | 32,588 | 4,590 | 2,680 | 20,230 | 23,574 | 4,425 | |
| 2000-2001f | 7,452 | 3.56 | 26,564 | 1,334 | 32,323 | 4,880 | 2,785 | 20,079 | 23,483 | 3,960 | |
| Canola | | | | | | | | | | | |
| 1998-1999 | 5,421 | 1.41 | 7,643 | 157 | 8,163 | 3,900 | 3,063 | 382 | 3,631 | 633 | 373 |
| 1999-2000f | 5,564 | 1.58 | 8,798 | 130 | 9,561 | 3,887 | 2,983 | 549 | 3,574 | 2,100 | 287 |
| 2000-2001f | 4,855 | 1.46 | 7,086 | 250 | 9,436 | 4,000 | 3,100 | 496 | 3,636 | 1,800 | 250-290 |
| Flaxseed | | | | | | | | | | | |
| 1998-1999 | 874 | 1.24 | 1,081 | 6 | 1,128 | 720 | n/a | n/a | 247 | 161 | 313 |
| 1999-2000f | 793 | 1.32 | 1,049 | 2 | 1,212 | 560 | n/a | n/a | 262 | 390 | 236 |
| 2000-2001f | 581 | 1.33 | 775 | 5 | 1,170 | 650 | n/a | n/a | 255 | 265 | 220-260 |
| Soybeans | | | | | | | | | | | |
| 1998-1999 | 980 | 2.79 | 2,737 | 254 | 3,179 | 868 | 1,576 | 396 | 2,069 | 242 | 266 |
| 1999-2000f | 999 | 2.77 | 2,766 | 450 | 3,458 | 900 | 1,712 | 397 | 2,175 | 383 | 245-255 |
| 2000-2001f | 1,080 | 2.55 | 2,750 | 450 | 3,583 | 900 | 1,800 | 425 | 2,295 | 388 | 210-250 |
| Total Oilseeds | | | | | | | | | | | |
| 1998-1999 | 7,275 | 1.58 | 11,461 | 417 | 12,470 | 5,488 | 4,639 | 778 | 5,946 | 1,036 | |
| 1999-2000f | 7,357 | 1.71 | 12,613 | 582 | 14,231 | 5,347 | 4,695 | 946 | 6,011 | 2,873 | |
| 2000-2001f | 6,515 | 1.63 | 10,611 | 705 | 14,189 | 5,550 | 4,900 | 921 | 6,186 | 2,453 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1998-1999 | 25,336 | 2.45 | 62,102 | 1,448 | 74,411 | 24,307 | 9,983 | 24,528 | 36,658 | 13,447 | |
| 1999-2000f | 24,652 | 2.69 | 66,238 | 1,542 | 81,227 | 28,256 | 10,215 | 25,689 | 38,004 | 14,968 | |
| 2000-2001f | 24,861 | 2.52 | 62,592 | 2,050 | 79,610 | 28,130 | 10,555 | 25,453 | 38,067 | 13,413 | |

(a) Aug.-July crop year except corn and soybeans which are Sept. - Aug.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver) except 2000-01; Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (No.3 CW, WCE cash Track Minneapolis); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB Pool Return Outlook (PRO); June, 2000.

** - CWB PRO: August 2000, for No.1 CWRS and No.1 CWAD with 11.5% protein. This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f - Agriculture and Agri-Food Canada forecast August 2000.

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Strategic Policy Branch - Market Analysis Division - Winnipeg, Manitoba

CANADA: SPECIAL CROPS SITUATION AND OUTLOOK FOR 2000-2001 September 5, 2000

Production of special crops in Canada for 2000-01 is forecast to increase by 26% to 5.14 million tonnes (Mt), based on Statistics Canada's July 31 production estimate for dry peas and AAFC forecast for the other special crops.

In western Canada, the harvest is underway for dry peas, lentils, chick peas, mustard seed and canary seed. The dry bean harvest is just starting, and the buckwheat and sunflower seed harvests are expected to start in mid and late September, respectively. Harvest progress is at about normal, but one to two weeks ahead of 1999-00. Yields are expected to be slightly above average, but generally lower than in 1999-00. In Ontario and Québec, yields for dry beans are expected to be below average and a later than normal harvest is expected, due to wet and cool conditions, which delayed seeding and crop development.

Due to higher supply, exports are forecast to increase by 20% to 3.17 Mt. Despite higher exports and domestic use, carry-out stocks are expected to increase significantly. Average prices for dry beans and sunflower seed are expected to increase, while average prices for dry peas, lentils, chick peas and buckwheat are expected to be lower. Average prices of mustard seed and canary seed are expected to be similar to 1999-00.

DRY PEAS

For 1999-00, exports decreased, but domestic use increased. Carry-out stocks are estimated to increase.

For 2000-01, Canadian production is estimated to increase by 30%, as the higher harvested area is partly offset by lower yields. Total supply is estimated to rise by 31%. Exports are forecast to increase by 18%, because of a decrease in production for the rest of the world. Domestic use is forecast to be 13% higher, mainly because of the expected increased use for feeding hogs. Carry-out stocks are forecast to increase, with a moderate stocks-to-use (s/u) ratio of 24%. World total supply is expected to increase slightly to about 12.6 Mt. Lower prices of feed grains and protein meal are expected to pressure prices for feed peas, while higher Canadian supply of dry peas pressures prices for food peas.

Therefore, the average price over all types, grades and markets is forecast to decrease by 5-10%.

LENTILS

For 1999-00, exports and domestic use increased. Carry-out stocks are estimated to increase.

For 2000-01, Canadian production is forecast to rise by 36%, as the higher harvested area is partly offset by lower yields. Total supply is forecast to increase by 40%. Exports are expected to increase by 23% because of strong world demand and Canada's increased share of world total supply. Carry-out stocks are forecast to increase, with a moderate s/u ratio of 26%. World total supply is forecast to increase by 10% to about 3.5 Mt. The average price over all types and grades is forecast to fall by about 10-15%, as pressure from higher world supply and higher Canadian carry-out stocks more than offsets support from the expected higher average crop quality in Canada.

DRY BEANS

For 1999-00, exports increased. Carry-out stocks are estimated to increase.

For 2000-01, Canadian production is forecast to remain stable, as the higher seeded area is offset by lower expected yields. White pea bean production is forecast to decrease by 12% to 125,000 tonnes (t), while coloured bean production increases by 12% to 170,000 t. Total supply is expected to remain stable, as higher carry-in stocks are offset by lower imports. Exports are forecast to increase slightly due to less competition from the US. Carry-out stocks are expected to

decrease, with a low s/u ratio of 7%. US production is forecast to fall by 25% to 1.11 Mt because of lower harvested area and lower yields. The total supply is not expected to drop by as much because of higher carry-in stocks. World total supply is expected to remain stable at about 19.8 Mt. The lower US total supply is expected to provide some support for Canadian prices. Therefore, the average price, over all types and grades, is forecast to increase slightly.

CHICK PEAS

For 1999-00, exports and domestic use quadrupled due to increased production. Carry-out stocks are estimated to increase. For 2000-01, Canadian production and total supply are forecast to increase by 95% and 94% respectively due to a doubling of the harvested area, which is partly offset by lower yields. Exports are forecast to triple as Canada's share of world production increases, although Canada accounts for less than 4% of total world supply. Canadian exports are mainly to Asia, the Middle East and Europe, with smaller volumes exported to Latin America and the US. Carry-out stocks are forecast to increase, with a moderate s/u ratio of 21%. Total world supply is forecast to increase by 5% to about 10 Mt, because of higher production and carry-in stocks. The average price over both types and all sizes and grades is forecast to decrease by 5-10%, because of larger world supply, which is partly offset by improved crop quality in Canada and some shift in production to the higher priced kabuli type.

MUSTARD SEED

For 1999-00, exports increased. Carry-out stocks are estimated to increase.

For 2000-01, Canadian production is forecast to decrease by 30%, because of lower harvested area and lower yields. However, total supply is expected to decrease by only 8% due to higher carry-in stocks. Exports are expected to increase slightly, in line with slightly higher world demand. Carry-out stocks are forecast to decrease, but the s/u ratio is forecast to remain high at 45%. Since Canada is the dominant world exporter of mustard seed, the high carry-out stocks are expected to continue pressuring prices. Therefore, the average price over all types and grades is forecast to be similar to 1999-00.

CANARY SEED

For 1999-00, exports increased. Carry-out stocks are estimated to decrease.

For 2000-01, Canadian production is forecast to increase by 20%, due to higher harvested area and yields. However, total supply is forecast to remain stable due to lower carry-in stocks. Exports are expected to increase slightly, in line with slightly higher world demand. Carry-out stocks are forecast to remain high, with a s/u ratio of 39%. Since Canada dominates world canary seed production, the high carry-out stocks are expected to continue pressuring prices, which are forecast to be similar to 1999-00.

SUNFLOWER SEED

For 1999-00, exports and domestic use increased. Carry-out stocks are estimated to increase.

For 2000-01, production is forecast to decrease by 10%, because of lower harvested area, which is partly offset by higher yields. Total supply is forecast to decrease by 5%. Exports are forecast to remain stable, while domestic use increases with the growth of the domestic processing industry. Carry-out stocks are forecast to decrease, with a low s/u ratio of 14%. Total world supply is forecast to decrease by 7% to about 26 Mt, however oilseed sunflower prices are expected to be pressured by lower vegetable oil prices. Confectionary sunflower supply is expected to be lower because of a 36% lower seeded area in the US, which is expected to support confectionary prices. Therefore, the average price, over both types, is forecast to increase by about 10% due to stronger confectionary type prices and a shift in production to the higher priced confectionary type.

BUCKWHEAT

For 1999-00, exports and domestic use decreased because of lower supply. Carry-out stocks are estimated to be low. For 2000-01, Canadian production is forecast to increase by 30% due to higher harvested area and yields. Exports are forecast to increase, in line with the higher production. The average price is forecast to decrease slightly, in line with a slightly higher world supply of 2.8 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mailskrypetzs@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mailolesonf@em.agr.ca
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CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS (c)

SEPTEMBER 5, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1996-1997 | 520 | 2.25 | 1,169 | 8 | 1,397 | 856 | 461 | 80 | 209 |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,839 | 1,116 | 553 | 170 | 177 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,517 | 1,705 | 652 | 160 | 132 |
| 1999-2000f | 835 | 2.70 | 2,252 | 10 | 2,422 | 1,400 | 802 | 220 | 135 |
| 2000-2001f | 1,236 | 2.38 | 2,937 | 10 | 3,167 | 1,650 | 907 | 610 | 110-140 |
| Lentils | | | | | | | | | |
| 1996-1997 | 304 | 1.33 | 403 | 4 | 484 | 286 | 108 | 90 | 470 |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 473 | 349 | 109 | 15 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 502 | 372 | 120 | 10 | 381 |
| 1999-2000f | 497 | 1.46 | 724 | 10 | 744 | 530 | 159 | 55 | 380 |
| 2000-2001f | 725 | 1.36 | 985 | 5 | 1,045 | 650 | 180 | 215 | 315-345 |
| Dry Beans | | | | | | | | | |
| 1996-1997 | 84 | 1.58 | 133 | 26 | 179 | 124 | 45 | 10 | 605 |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000f | 154 | 1.91 | 294 | 40 | 359 | 260 | 59 | 40 | 510 |
| 2000-2001f | 168 | 1.76 | 295 | 25 | 360 | 270 | 65 | 25 | 505-535 |
| Chick Peas | | | | | | | | | |
| 1996-1997 | 3 | 1.33 | 4 | 4 | 8 | 1 | 7 | | n/a |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000f | 139 | 1.42 | 197 | 4 | 206 | 65 | 126 | 15 | 390 |
| 2000-2001f | 286 | 1.35 | 385 | 0 | 400 | 200 | 130 | 70 | 345-375 |
| Mustard Seed | | | | | | | | | |
| 1996-1997 | 233 | .99 | 231 | 1 | 252 | 141 | 61 | 50 | 363 |
| 1997-1998 | 292 | .83 | 243 | 1 | 294 | 166 | 63 | 65 | 398 |
| 1998-1999 | 279 | .86 | 239 | 1 | 305 | 162 | 63 | 80 | 348 |
| 1999-2000f | 273 | 1.12 | 306 | 1 | 387 | 175 | 72 | 140 | 285 |
| 2000-2001f | 208 | 1.03 | 215 | 0 | 355 | 180 | 65 | 110 | 270-300 |
| Canary Seed | | | | | | | | | |
| 1996-1997 | 235 | 1.21 | 285 | 0 | 305 | 122 | 44 | 139 | 300 |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 254 | 134 | 47 | 73 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 308 | 137 | 51 | 120 | 248 |
| 1999-2000f | 146 | 1.14 | 166 | 0 | 286 | 155 | 46 | 85 | 240 |
| 2000-2001f | 173 | 1.16 | 200 | 0 | 285 | 160 | 45 | 80 | 225-255 |
| Sunflower Seed | | | | | | | | | |
| 1996-1997 | 35 | 1.57 | 55 | 12 | 91 | 24 | 43 | 24 | 345 |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 101 | 45 | 46 | 10 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 139 | 43 | 61 | 35 | 388 |
| 1999-2000f | 79 | 1.54 | 122 | 17 | 174 | 50 | 84 | 40 | 295 |
| 2000-2001f | 70 | 1.57 | 110 | 15 | 165 | 50 | 95 | 20 | 310-340 |
| Buckwheat | | | | | | | | | |
| 1996-1997 | 17 | 1.30 | 22 | 1 | 25 | 12 | 11 | 2 | 320 |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 9 | 9 | 1 | 315 |
| 1999-2000f | 13 | 1.00 | 13 | 2 | 16 | 7 | 8 | 1 | 305 |
| 2000-2001f | 16 | 1.06 | 17 | 1 | 19 | 10 | 8 | 1 | 280-310 |
| Total Special Crops | | | | | | | | | |
| 1996-1997 | 1,431 | 1.61 | 2,302 | 56 | 2,741 | 1,566 | 780 | 395 | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 53 | 3,191 | 1,949 | 892 | 350 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,117 | 2,635 | 1,046 | 436 | |
| 1999-2000f | 2,136 | 1.91 | 4,074 | 84 | 4,594 | 2,642 | 1,356 | 596 | |
| 2000-2001f | 2,882 | 1.78 | 5,144 | 56 | 5,796 | 3,170 | 1,495 | 1,131 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

Source: Statistics Canada and industry consultations.

f - Agriculture and Agri-Food Canada forecast, September 5, 2000.

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday August 28, 2000

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 127.10 | 131.50 | 132.70 | 127.50 |
| | | OATS | 102.62 | 102.53 | N/A | N/A |
| | | BARLEY | 104.00 | 106.50 | 106.80 | 116.10 |
| To: Bayports, Ont. | In-store | WHEAT | 150.20 | 154.60 | 155.80 | 149.06 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 131.15 | 133.65 | 1. | 133.95 |
| Montréal, Que. | In-store | WHEAT | 154.95 | 159.35 | 1. | 160.55 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 136.27 | 138.77 | 1. | 139.07 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 177.42 | 181.82 | 183.02 | 175.38 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 162.63 | 165.13 | 165.43 | 169.43 |
| Truro, N.S. | Truck via Halifax | WHEAT | 174.92 | 179.32 | 180.52 | 172.88 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 157.75 | 160.25 | 160.55 | 166.93 |
| Halifax, N.S. | In-store | WHEAT | 162.25 | 166.65 | 1. | 167.85 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 144.07 | 146.57 | 1. | 146.87 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 222.03 | 226.43 | 227.63 | 222.43 |
| | | OATS | 208.82 | 208.73 | N/A | N/A |
| | | BARLEY | 211.14 | 213.64 | 213.94 | 218.77 |
| From: Melfort, Sask. | FOB | WHEAT | 116.10 | 117.50 | 118.70 | 120.00 |
| | | OATS | 84.93 | 84.88 | 110.46 | 111.50 |
| | | BARLEY | 91.00 | 92.50 | 98.80 | 98.10 |
| To: Bayports, Ont. | Track | WHEAT | 172.22 | 173.62 | 174.82 | 176.10 |
| | | OATS | 143.80 | 143.75 | 169.33 | 176.87 |
| | | BARLEY | 144.39 | 145.89 | 152.19 | 154.90 |
| Montréal, Que. | Track | WHEAT | 172.97 | 174.37 | 175.57 | 176.86 |
| | | OATS | 144.70 | 144.65 | 170.23 | 177.77 |
| | | BARLEY | 145.21 | 146.71 | 153.01 | 155.72 |
| Moncton, N.B. | Track | WHEAT | 194.15 | 195.55 | 196.75 | 198.03 |
| | | OATS | 168.04 | 167.99 | 193.57 | 200.84 |
| | | BARLEY | 157.32 | 158.82 | 165.12 | 177.28 |
| Truro, N.S. | Track | WHEAT | 194.32 | 195.72 | 196.92 | 198.20 |
| | | OATS | 169.01 | 168.96 | 194.54 | 204.28 |
| | | BARLEY | 170.94 | 172.44 | 178.74 | 178.29 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 237.66 | 239.06 | 240.26 | 241.53 |
| | | OATS | 216.39 | 216.34 | 241.92 | 249.19 |
| | | BARLEY | 219.23 | 220.73 | 227.03 | 226.59 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|---------------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 100.10 | 99.16 | 103.67 | 116.74 |
| To: Montréal, Que. (US Corn) | In-store | | 119.00 | 118.06 | 1. | 134.74 |
| From: Saginaw (Mi) | Track | | 89.59 | 88.37 | 90.87 | 108.52 |
| To: Montréal, Que. (US Corn) | Track | | 117.13 | 115.91 | 118.41 | 140.82 |
| From: Chatham | Track | | 106.10 | 106.39 | N/A | 117.02 |
| To: Montréal, Que. | Track | | 128.99 | 129.28 | 126.92 | 141.57 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|---------------|---------------|
| From: Hamilton, Ont. | | | 287.70 | 270.39 | 268.74 | 233.47 |
| To: Montréal, Que. | Track | | 310.17 | 292.86 | 291.21 | 257.14 |
| Moncton, N.B. | Track | | 327.48 | 310.17 | 308.52 | 274.49 |
| Truro, N.S. | Track | | 330.45 | 313.14 | 311.49 | 277.63 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 379.71 | 362.40 | 360.75 | 324.93 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley. No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montréal can be applied to Sorel, Trois-Rivières and Québec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

September 22, 2000

Vol. 13 No. 15

SASKATCHEWAN



Saskatchewan produces approximately 50% of all the wheat grown in Canada, but it is also diversifying its economy, encouraging higher value-added processing of food and non-food products and leading-edge biotechnology. With about 40% of Canada's total farmland, Saskatchewan is the leading Canadian producer of spring wheat, durum, oats, canola, flaxseed, dry peas, lentils, mustard seed, canary seed, and chick peas, and a dominant producer of barley. This issue of the *Bi-weekly Bulletin* examines the supply and disposition of grains, oilseeds and special crops in Saskatchewan, and provides an overview of the livestock, organic agriculture and biotechnology sectors.

Geography

Saskatchewan is located between Alberta and Manitoba, in Western Canada, and occupies about 650,000 square kilometres (km²) of land and water. Freshwater is in abundance in the province, occupying over 12.5% of the total area, or 81,600 km². In 1999, about 3.4% of the Canadian population, or 1.03 million people lived in Saskatchewan. About 200,000 people reside in the capital city of Regina, while about 230,000 people reside in Saskatoon, Saskatchewan's largest city.

Northern Saskatchewan is rocky and characterized by forest and lakes. As the climate does not permit agricultural production any farther north, the

agricultural land in Saskatchewan is primarily found south of the 54°N parallel, and is confined to 265,691 km², or roughly 40.8% of Saskatchewan's landmass. The combined land in crops, and pasture has been slowly increasing with time, as land in summerfallow decreases.

Soil Zones

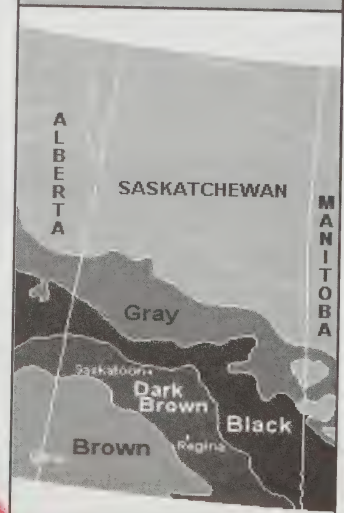
As Saskatchewan's soil is predominantly of loamy texture, production capabilities are determined largely by weather conditions and the presence of organic matter. There are four distinct soil zones in Saskatchewan; Brown, Dark Brown, Black, and Gray.

The Brown soil zone covers approximately 6.3 million hectares (mln ha) in southwest

Saskatchewan, of which about 69% are cultivated. The relatively warm temperatures, lack of moisture and lack of organic matter in this region limit crops to small grains and grasslands for livestock production.

The Dark Brown soil zone, covering 7.28 mln ha, lies north and east of the Brown zone. This is the most intensively

SASKATCHEWAN: SOIL ZONES



Did you know?

- In addition to being a major agricultural production area, Saskatchewan produces about 15% of Canada's petroleum, and is one of North America's leading oil producers.
- Saskatchewan is one of the world's leading producers of potash.
- Most of Canada's uranium is mined in Saskatchewan.
- Of the ten Canadian provinces, Saskatchewan was the ninth province to experience an urban population majority.
- The rural population became a minority in Saskatchewan in 1971, compared to 1951 in Manitoba, 1956 for Alberta, and 1911 for Ontario.



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farmed area, with about 82% of the Dark Brown soil zone under cultivation. A small Dark Brown soil zone area, with the characteristic cooler temperatures and more moisture, is also evident around the Cypress Hills in southwest Saskatchewan.

About 73% of the 7.52 mln ha in the Black soil zone is cultivated. Lying to the north and east of the Dark Brown soils

area, the growing period in the Black soil zone is shorter, but the lower temperatures and increased moisture allow for a wider variety of cropping practices. Gray, Dark Gray and Dark Gray-Wooded soils cover about 4.53 mln ha in the northern extremity of the agricultural area, of which only 45% are cultivated. This area is characterized by better moisture conditions, but a shorter growing season than in the black soils. While yields for cereal crops are typically

higher in the Black soil zones, protein levels in wheat tend to be higher in the Brown and Dark Brown soils.

Climate

The Saskatchewan climate is characterized by warm, dry summers and cold, dry winters. In the cultivated area, there is a gradual increase in the availability of moisture from the dry southwest to the more humid northeast. According to the *National Ecological Framework for Canada*, the average January temperature for the agricultural area of Saskatchewan is -15.0 degrees Celsius (°C), while the average July temperature rises to 18.3°C. On average, farmers in Saskatchewan receive less precipitation than their neighbours in Manitoba and Alberta, with average annual precipitation of 408 millimeters (mm), including 112 mm of snow and 296 mm of rain.

SASKATCHEWAN: POPULATION

| | 1981 | 1986 | 1991 | 1996 |
|-----------------------------------|---------|-----------|---------|---------|
| Total Population | 968,313 | 1,009,610 | 988,928 | 990,237 |
| Farm Population | 187,163 | 168,505 | 159,725 | 140,345 |
| Farm Population (%) | 19.33% | 16.69% | 16.15% | 14.17% |
| Number of Census Farms | 67,318 | 63,431 | 60,840 | 56,995 |
| Average Size of Census Farms (ha) | 394 | 419 | 441 | 466 |

Source: Statistics Canada

SASKATCHEWAN: AREA SEEDED

| | 1990 | 1998 | 1999 | 2000 |
|------------------------------------|-----------------------------|-----------------|-----------------|-----------------|
| |thousand hectares..... | | | |
| Winter Wheat | 60.7 | 40.5 | 38.4 | 60.7 |
| Durum | 1,659.2 | 2,428.1 | 1,456.9 | 2,165.1 |
| Spring Wheat: | 6,596.4 | 3,935.6 | 4,364.4 | 3,961.9 |
| <i>CW Red Spring</i> | <i>n/a</i> | 3,358.9 | 3,965.9 | 3,662.4 |
| <i>Prairie Spring</i> | <i>n/a</i> | 424.9 | 303.5 | 182.1 |
| <i>CW Extra Strong</i> | <i>n/a</i> | 109.3 | 72.8 | 91.1 |
| <i>CW Soft White Spring</i> | <i>n/a</i> | 2.0 | 2.0 | 2.0 |
| <i>Other Spring</i> | <i>n/a</i> | 40.5 | 20.2 | 24.3 |
| Total Wheat | 8,316.3 | 6,404.2 | 5,859.7 | 6,187.7 |
| Oats | 445.2 | 930.8 | 809.4 | 728.4 |
| Barley | 1,497.3 | 1,639.0 | 1,719.9 | 2,063.9 |
| Rye (all) | 299.5 | 117.4 | 97.3 | 54.7 |
| Mixed Grains | 28.3 | 20.2 | 24.3 | 36.4 |
| Total Coarse Grains | 2,270.3 | 2,707.4 | 2,650.9 | 2,883.4 |
| Flax ^{1/} | 344.0 | 566.6 | 566.6 | 396.6 |
| Canola | 1,133.1 | 2,529.3 | 2,670.9 | 2,387.6 |
| Total Oilseeds | 1,477.1 | 3,095.9 | 3,237.5 | 2,784.2 |
| TOTAL GRAINS & OILSEEDS | 12,063.7 | 12,207.5 | 11,748.1 | 11,855.3 |
| Dry Peas | 52.6 | 769.0 | 615.2 | 930.8 |
| Coloured Beans | nil | 1.6 | 4.1 | 5.0 |
| Lentils | 109.3 | 364.2 | 489.7 | 720.3 |
| Mustard Seed | 188.2 | 234.7 | 236.6 | 190.2 |
| Sunflower Seed | 6.9 | 16.2 | 26.3 | 8.1 |
| Canary Seed | 109.3 | 182.1 | 137.6 | 151.8 |
| Chick Peas | nil | 36.1 | 141.6 | 283.3 |
| Total Special Crops | 466.3 | 1,603.9 | 1,651.1 | 2,289.5 |
| TOTAL CROPS | 12,530.0 | 13,811.4 | 13,399.2 | 14,144.8 |
| Summerfallow | 6,030.0 | 3,885.0 | 4,249.0 | 3,399.0 |
| Tame Hay | 2,857.6 | 2,812.3 | 4,127.7 | n/a |
| TOTAL AREA | 21,417.6 | 20,508.7 | 21,775.9 | n/a |

^{1/} excludes solin

Source: Statistics Canada

Agriculture

and Economy

The Agri-food sector accounts for about 9% of the Gross Domestic Product (GDP) in Saskatchewan. While agriculture provides about 13% of the employment directly, it is estimated that agriculture is directly and indirectly responsible for 40% of the jobs in the province. Primary agricultural products account for about 38% of the total value of all of Saskatchewan's exports, while combined primary and value added agricultural exports account for about 45% of the total value of exports.

SASKATCHEWAN: USE OF FARMLAND

| | 1981 | 1986 | 1991 | 1996 |
|-----------------------------|-----------------------------|--------|--------|--------|
| |thousand hectares..... | | | |
| Total Area of Farms | 25,947 | 25,699 | 26,866 | 26,569 |
| Land in Crops | 11,741 | 13,326 | 13,459 | 14,399 |
| Tame Hay and Seeded Pasture | 975 | 879 | 1,076 | 1,233 |
| Summerfallow | 6,705 | 5,658 | 5,713 | 4,432 |

Source: Statistics Canada

Primary Grain Elevators

The number of licensed grain elevators has dwindled from 2,878 in 1962 to only 464, as of June 22, 2000. This 84% reduction shows that consolidation has been more prevalent than in Manitoba (69%), but less than in Alberta (86%). Of the 455 licensed primary elevators operating in Saskatchewan as of June 22, 2000, 250 were owned by the Saskatchewan Wheat Pool (SWP). It should be noted that the reduction in the number of elevators is somewhat overstated, as the Canadian Grain Commission changed its methodology of accounting for elevators in 1984. With a combined capacity of 1.53 million tonnes (Mt), the SWP had 43% of the grain storage capacity. Other grain companies with a presence in Saskatchewan and their capacities include: United Grain Growers Limited (0.41 Mt), Pioneer Grain (0.39 Mt), AgPro Grain (0.22 Mt), and Cargill (0.20 Mt) among others.

Number of Farms

According to the *Statistics Canada Whole Farm Data Base*, in 1998, there were 59,185 farms in Saskatchewan with revenues over \$10,000, of which 18,825 had revenues over \$100,000. The number of farms in Saskatchewan with revenues over \$10,000 has decreased by 2.7% since 1990, while the number of farms in Canada with revenues over \$10,000 has decreased by 0.5%. In 1998, while 25.7% of Canada's farms with revenues over \$10,000 were located in Saskatchewan, only 9.7% of the farms with revenues over \$500,000 were in Saskatchewan.

Farm Income

Saskatchewan has the least diversified farming structure in Canada. A majority of farming operations, 75.8% in 1998, with gross revenues over \$10,000 earned more than 50% of their revenues from grains and oilseeds. As well, in 1998

only 18% were classified as livestock, 0.7% as dairy, and 0.6% are hog operations. By comparison, across Canada, 41.5% of farms were classified as grain and oilseed farms, 27.5% were livestock, 8.8% were dairy and 3.1% were hog farms. Thus, Saskatchewan's agricultural industry, as a whole, is much more sensitive to changes in global prices for grains and oilseeds.

In 1999 the estimated total value of farm receipts was \$5.46 billion, with receipts from crop production valued at \$3.64 billion and livestock at \$1.36 billion. Realized net income for 1999 was \$318 million, approximately one-half of the five-year (1994-1998) average. According to Agriculture and Agri-Food Canada forecasts published in July 2000, realized net income for 2000 is expected to increase to \$673 million, primarily due to an increase in government transfers.

Farmland Values

According to Farm Credit Corporation data, between July 1, 1999 and January 1, 2000, Saskatchewan was the only province where land values decreased. Farmland values decreased by 4.6% in Saskatchewan, compared to a 0.6% decrease in value across Canada, including Saskatchewan. Low grain prices and rising costs have affected income throughout the province. The southeast area, affected not only by low commodity prices but also by inclement weather which delayed or prevented seeding in 1999, has seen the most significant decreases in land values. Above-average yields in the remainder of the province have partially offset the impact of low commodity prices.

Summerfallow

Crops sown on fallowed land give considerably higher yields than those sown on stubble because of moisture accumulation, nitrogen release, and weed control during the fallow year.

The area of land under summerfallow reached a maximum of 9.7 mln ha in 1970, and since then has fallen to 3.4 mln ha in 2000, primarily because of the intensification of agriculture through the increased use of commercial fertilizers and chemicals and the adoption of reduced tillage technologies. As well, the increased availability of alternative crops, some of which are nitrogen-fixing, and the use of crop rotation, has decreased the producers' reliance on summerfallow.

In the future, further reductions in summerfallow are expected to take place in the Black and Dark Brown soil zones of Saskatchewan, where the intensity of fallowing is considerably higher and the use of fertilizers and herbicides lower than in the same soil zones in Manitoba and Alberta. In the Brown soil zone, fallowing intensity will probably remain high, as a means to manage soil moisture.

Area Seeded

Total area seeded to grains, oilseeds and special crops increased from 12.53 mln ha in 1990 to 14.14 mln ha in 2000, primarily due to a decrease in summerfallow. Summerfallow has dropped by 44% since 1990 to 3.4 mln ha in 2000, while the area seeded to tame hay increased by 44% between 1990 and 1999 to 4.13 mln ha.

In general, since 1990, area seeded to wheat has trended downwards, while the area seeded to coarse grains (barley, oats, rye, corn and mixed grains) has increased. Cereal crops continue to be a substantial portion of the crops raised in Saskatchewan, primarily due to their importance in the crop rotations, and the generally less-intensive farming practices required. The area seeded to oilseeds (canola and flax) has more than doubled since 1990, but there has been a lot of variability in oilseed seeded area between years. There has been a strong upward trend in the area seeded to special crops, such as mustard, lentils, peas and canary seed, from negligible areas recorded in the 1970s and 1980s, to a record 2.29 mln ha seeded in 2000.

PRODUCTION AND PROCESSING: GRAINS, OLSEEDS, AND SPECIAL CROPS

Wheat

Since 1986, when the record seeded area for all wheat was 8.80 mln ha, the area

eeded to wheat has been generally declining, to reach 6.19 mln ha in 2000. Between 1988 and 1991, however, there was a period where seeded area trended upwards. Traditionally, 55% to 60% of all the area seeded to wheat in Canada is in Saskatchewan. Of the 3.96 mln ha of spring wheat seeded in 2000, approximately 90% is seeded to **Canada Western Red Spring**, with limited amounts of Canada Western Extra Strong, Canada Prairie Spring, and Canada Western Soft White Spring varieties grown as well. Very little winter wheat is produced, but the area seeded has been increasing with time. Since 1980, the production of wheat, excluding durum, has been variable, ranging from a high of 15.4 Mt in 1986 to a low of 5.5 Mt in 1988. For 2000, production is expected to total 8.4 Mt.

The area seeded to **durum** wheat, however, is trending upward with the record seeded area of 2.43 mln ha in 1998. For 2000, the area seeded to durum is 2.17 mln ha, or 83% of Canada's total durum area, and production is expected to reach 4.6 Mt, 2% less than the record production set in 1998. Most of Saskatchewan's durum is produced in the Brown and Dark Brown soil zones.

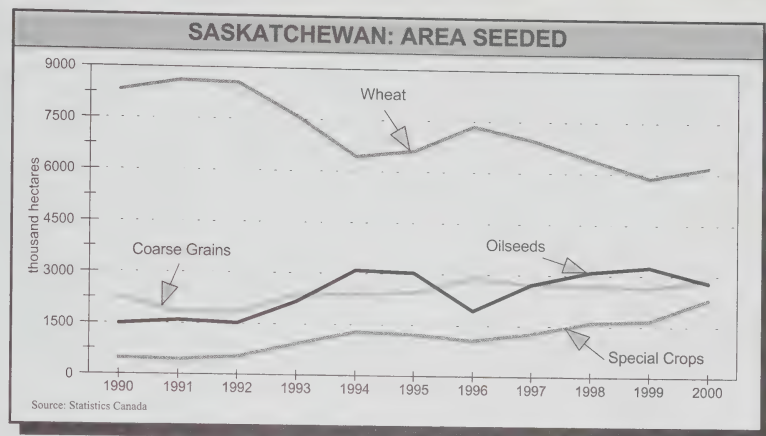
Currently, there are three major flour mills, Robin Hood Multifoods Inc., CSP Foods Ltd., and Humboldt Flour Mills Inc., operating in the province. Together, these three mills have a combined 24-hour capacity of 22,900 hundredweight. Throughout the province there are at least 14 other flour processing operations that produce organic wheat flour, oat flour, or wheat flour.

The major Canadian pasta plants are currently located closer to consumers in the major population centres. Robin Hood Multifoods has recently relocated its durum milling capacity from Port Colborne, Ontario to its Saskatoon mill.

Coarse Grains

The area seeded to coarse grains has remained fairly constant since 1996, after increasing throughout the early 1990s. For 2000, seeded area is 2.9 mln ha.

Barley is the most important coarse grain produced and 2.06 mln ha were seeded in 2000, a 20% increase over 1999. **Oats** are also an important crop, with 728,400 ha seeded in 2000. While



the area seeded to **rye** has been decreasing, 35% of all rye grown in Canada was seeded in Saskatchewan.

Canada is now a world leader in malting barley production, with production concentrated in Saskatchewan, Alberta, and to a lesser extent, Manitoba. All three provinces grow both two-row and six-row malting barley cultivars, but two-row production dominates Canadian crops.

While the majority of barley produced is destined for the feed market, approximately 35% of the barley grown in Saskatchewan is selected for malting purposes and is either used domestically to produce malt or exported as malting barley. As domestic processors typically prefer 2 row malting varieties, more than 60% of the barley grown in Saskatchewan is 2 row.

Prairie Malt Ltd, of Biggar, Saskatchewan, is one of the six main malting plants in Canada. The plant has a malting capacity of 235,000 tonnes (t) and a combined malt and barley storage capacity of 100,000 t. Prairie Malt Ltd. sources domestic 2 row varieties and exports about 90% of its production to breweries around the world.

Because of tight supplies of feed barley in Western Canada due to a growing livestock industry, and high transportation costs, very little feed barley is exported.

Three of the seven major oat processing facilities in Western Canada, Can-Oat Milling in Saskatoon, Robin Hood Multifoods, also of Saskatoon, and Popowich Milling of Yorkton, are located in Saskatchewan, with a combined daily capacity of 855 t per day. While Can-Oat

Milling and Popowich Milling only produce groats, the Robin Hood Multifoods plant also produces oat flour, bran and flakes.

Oilseeds

The area seeded to oilseeds has remained relatively stable since the mid-1990s, after increasing significantly during the late 1980s and early 1990s. The move to longer rotations, new varieties, and continuous cropping has driven the expansion of oilseed area. The area seeded to oilseeds almost doubled between 1990 and 1994, but declined in both 1995 and 1996 due to low prices compared to wheat. After dramatic growth once again in the latter part of the decade, as prices rose, the seeded area for 2000 declined 14% to 3.88 Mln ha due to depressed prices and burdensome stocks. **Flaxseed** has been a relatively important crop since the 1940s, but flaxseed production is relatively small compared to **canola**. In 2000, about 68% of Canada's flaxseed will be produced in Saskatchewan and 47% of Canada's canola.

Large global supplies of edible oils have pressured canola oil prices, and constrained the growth in canola processing. For 2000-2001 canola crush is expected to increase.

There are two oilseed processing plants located in Saskatchewan. Cargill operates a canola crushing plant at Clavet, Saskatchewan. The products, degummed canola oil and canola meal, are sold into North American and Pacific Rim countries. CanAmera operates a plant at Nipawin, which produces crude and refined canola oil, as well as canola

meal. Two other major oilseed processing facilities located near the province source canola seed from Saskatchewan; the ADM plant at Lloydminster, Alberta and the CanAmerica plant at Harrowby, Manitoba. Exports of unprocessed canola seed, canola oil and canola meal are significant, with the seed typically moving through the west coast, and the canola oil and canola meal being exported to the U.S.

Special Crops

Special crops, particularly **dry peas**, have become an important cropping option for farmers since the early 1990s. While requiring more intensive farming practices than cereal grains, they are an important part of the crop rotation, providing the benefit of nitrogen fixation which has the potential to reduce farm input costs.

Saskatchewan is a major producer of **dry peas, lentils, chick peas, mustard seed and canary seed**, among others.

In 2000, Saskatchewan will produce approximately 72% of Canada's dry peas, 97% of the lentils, 93% of the chick peas, 88% of the mustard seed and 85% of Canada's canary seed. In the last decade, area seeded to special crops increased dramatically, reaching a record of 2.29 mln ha in 2000. Production has grown by 489%, from 639,300 t in 1990-1991 to an expected record 3.77 Mt in 2000-2001. The special crop share of total Saskatchewan grains, oilseeds and special crop production increased from 2.6% in 1990-1991 to a forecast 15.6% in 2000-2001.

Pulse crops, including various types of peas, beans, lentils and chick peas, are grown as a profitable alternative to cereals, to diversify farm sales and to agronomically improve cereal production in the following season. Canada is the world's leading exporter of lentils and dry peas, accounting for about 50% and 40% of the world's exports, respectively. In addition to their uses as food, dry peas have been increasingly used in Canada in livestock feed. As a source of human and animal food, pulses are rated second to cereals in many countries of the world.

According to a survey conducted by Saskatchewan Agriculture and Food, there were an estimated 128 special crop processors in Saskatchewan in 1999. Of these, 86% processed dry peas and 75%

processed lentils. The only other crop processed by more than half of processors is canary seed. The total annual volume of value-added processing in the sector is estimated to be 3.55 Mt. The primary value-added activities in the sector are cleaning, bulk loading and bagging. These three processes account for 97% of all special crop processing in Saskatchewan. Splitting, colour sorting and feed processing account for a small, but increasing, portion of all special crops processing. Several processors have moved into secondary processing activities, and examples include Parrheim Foods, of Saskatoon and Canadian Select Grains Ltd. of Eston.

Parrheim Foods processes locally grown yellow field peas, separating them into starch, protein, and fibre products. Their products include: flour for uses in extruded snacks, batter and breadings, and baked goods; protein for extruded snack foods, casein extenders, pet foods and dietetic foods; and starch for canning and industrial applications.

Canadian Select Grains cleans, sorts and bags chick peas, anise, small red lentils and dry peas. It also processes desi chick peas into a product called *chana dahl*. These dehulled and split chick peas are either sold as is to grocery stores or they are destined for further processing into a flour called *besin*, which is used to make breads for the Indian and Pakistani food markets. Most of Canadian Select Grains' products are transported in 25 to 1,350 kilogram bags to large urban centres, such as Toronto, Vancouver, and New York, while some chick peas are shipped in container loads to overseas customers.

LIVESTOCK PRODUCTION

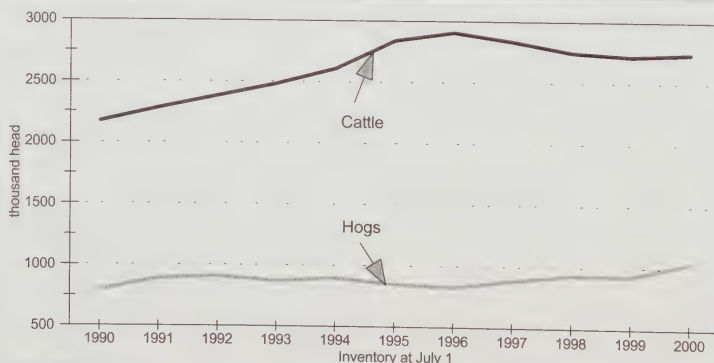
In 1999, livestock production in Saskatchewan generated approximately \$1.4 billion in farm cash receipts, accounting for approximately 25% of the province's total farm cash receipts.

Cattle

In 1998, about 16% of the farms in Saskatchewan were classified as cattle farms. Saskatchewan is Canada's second largest cattle producer, following Alberta. Cattle inventories in Saskatchewan increased rapidly in the first half of the 1990s, increasing 34% to 2.9 million head as of July 31, 1996. After contracting for the next few years, cattle inventories once again increased in 2000. As of July 1, 2000, cattle inventories increased to 2.74 million head, making Saskatchewan the only province where inventories increased. In 1999, farm cash receipts for cattle and calves totalled \$1.068 billion, or 19.6% of total receipts. The number of beef cattle in Saskatchewan is expected to expand further, as producers look for viable diversification options to grain and oilseed operations.

While four federally-inspected packing and processing plants handle Saskatchewan beef, Saskatchewan is a net exporter of beef cattle. About 75% of Saskatchewan's cattle are shipped outside of the province for slaughtering, with the majority destined for Alberta. As well, a large number of feeder cattle are shipped out of the province to feedlots in Alberta and the United States.

SASKATCHEWAN: CATTLE AND HOGS INVENTORIES



Hogs

In 1998, less than 1% of the farms in Saskatchewan were classified as hog farms. Throughout most of the 1990s, hog numbers have been more or less stable, and Saskatchewan's share of Canada's hog population has fallen. In 1999, farm cash receipts for hogs totalled \$144.3 million, or 2.6% of all receipts. In the past year, however, hog inventories increased by 13% over 1999, to reach 1.04 million head as of July 1, 2000, and when combined with improved prices for hogs, the percentage of cash receipts is expected to increase.

Hog processing capacity has expanded on the Prairies. Saskatchewan's major pork processor, Mitchell's Gourmet Foods in Saskatoon, has embarked on a modernization and expansion program. As well, the establishment of the Maple Leaf hog slaughter and processing plant in Brandon, Manitoba will encourage further growth in the hog industry in Saskatchewan.

BIOTECHNOLOGY

Saskatchewan is a world class centre of excellence for agriculture biotechnology. It is recognized as one of the top international centres for agricultural research in the world and is particularly recognized for oilseed research. Saskatchewan represents 30% of Canada's agriculture biotechnology industry. Saskatchewan's agricultural biotechnology industry is built on a substantive research infrastructure and is an extension of traditional research strengths in plant breeding and veterinary science. Although research has been the primary focus of the biotechnology industry for a number of years, the commercialization of products is also occurring. Agricultural biotechnology activities contribute to the creation and growth of competitive value-added industries, including the manufacturing of agriculture biotechnology products, and marketing worldwide.

The number of biotechnology companies in Saskatchewan has grown significantly since 1991. A 1998 survey conducted by the Saskatchewan Economic and Co-operative Development Department shows that the Saskatchewan industry grew from three biotechnology companies prior to 1980 to 28 companies in 1998. These companies have grown

out of the research base of the University of Saskatchewan, the National Research Council's Plant Biotechnology Institute, Agriculture and Agri-Food Canada's Saskatoon Research Centre and other research organizations.

Ag-West Biotech Inc. serves as the association representing the agricultural biotechnology sector and works closely with companies to provide investment and strategic support. Since 1987, agricultural biotechnology industry sales have grown almost tenfold to reach about \$100 million in 1998. This sector has also experienced strong growth in employment, with over 600 people employed in this industry in 1998. The majority of employees are located at Innovation Place in Saskatoon.

ORGANIC PRODUCTION AND PROCESSING

Relative to many wheat growing areas of the world, Saskatchewan farmers have few disease and weed problems. This has enabled some producers to successfully develop several methods to produce field crops without the use of man-made chemicals. Organic production in Saskatchewan has grown significantly in recent years. In 1998, it was estimated that there were approximately 500 certified organic farmers, producing 60,000 to 80,000 t of organic grain annually, worth CAN\$20 to 30 million.

There are approximately 50 food processors that are processing some type of organic food. Some use exclusively organic ingredients and others only use organic ingredients for specific product lines or customer groups. Organic foods processed in Saskatchewan range from ingredients such as flour and flaxseed oil to consumer ready/packaged products like bread, cereal mixtures and oatmeal. Examples of organic food processors and their products include: Humboldt Flour Mills which produces organic flour; Bioriginal Food and Science Corp, which produces fatty acids, edible oils, malts, herbs, pulse and oilseed products; Popowich Milling, which produces oat bran, flour, cereals and oatmeal; and, FarmGro Organic Foods Inc. which produces wheat and durum flour.

FarmGro opened a \$12 million strictly organic flour mill near Regina in June 2000. It is the largest dedicated organic flour mill in North America. The plant, which employs between 18 and 25 people, will

process about 32,000 t of organic grain annually. FarmGro processes wheat and durum. They produce white and whole wheat flour, durum semolina, wheat germ and bran, and also bag grains, lentils and peas.

OUTLOOK

There has been considerable growth in value-added agriculture, such as intensive livestock production and processing. With a small population and a highly efficient production system, Saskatchewan will always be a major exporter of agriculture and food products. Future challenges for Saskatchewan will continue to be adding value to raw exports through further processing prior to export, and continued diversification. There is also substantial interest and opportunity in plant-based advanced agricultural technologies, such as nutraceuticals and health products. Saskatchewan has a resource base and expertise that support this growth.

For more information please contact:

Deanna Harrison
Market Analyst
Phone: (204) 983-8474
E-mail: harrisonsd@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

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Market Analysis Division,
Strategic Policy Branch,
Marketing Policy Directorate,
Agriculture and Agri-Food Canada.
500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524
Editor: Gordon MacMichael
E-mail: macmichaelg@em.agr.ca

Director: Maggie Liu
Chief: Fred Oleson

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CANADIAN GRAINS AND OILSEEDS OUTLOOK SEPTEMBER 21, 2000

Stocks of grains and oilseeds in Canada at the end of 1999-00 were 15.5 million tonnes (Mt), an increase of 16% from the previous year, based on the Statistics Canada (STC) July 31 stock survey (except corn and soybeans, which are estimated by AAFC). Canadian grain and oilseed production for 2000-01 is forecast at 62.3 Mt by AAFC, 4.0 Mt below 1999-00, based on STC's July 31 production estimates (except for corn and soybeans, which are forecast by AAFC).

In western Canada, harvest is expected to be generally complete by the end of September, assuming favourable weather conditions. In Manitoba and Saskatchewan, yields are estimated to be slightly above average although substantially below last year. In Alberta, yields are estimated to be below average due to drought in the southern part of the province. Western wheat quality is expected to be below average although protein levels may be higher than normal. In Ontario, cool, wet conditions have lowered corn and soybean yields. Wet weather over the summer caused severe fusarium damage to winter wheat in Ontario.

Total exports of grains and oilseed are forecast to decline slightly, to 27.7 Mt in 2000-01. Exports of durum, barley, canola and flaxseed are expected to increase, while exports of spring wheat and corn are forecast to decrease from 1999-00. In general, Canadian grain and oilseed prices are expected to remain similar to, or decline slightly from the historically low 1999-00 levels, except for 2-Row designated barley and soybeans.

WHEAT (ex-durum)

For 1999-00, domestic use rose sharply, due to a higher than expected increase in the STC estimate of feed, waste and dockage (FWD). Exports rose sharply but were below the 10-year average of 16 Mt. Carry-out stocks have increased slightly, due to a larger crop, but remain historically low.

For 2000-01, supplies have declined by 9%, with lower production offsetting the higher carry-in stocks. Exports are forecast to fall by 10% due to reduced supplies. Carry-out stocks are expected to fall to the lowest level since 1995-96. The August CWB 2000-01 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is down by \$9/t from July, at \$153-183/t in-store Vancouver/St. Lawrence, with the midpoint \$1/t below the 1999-00 PRO for No. 1 CWRS. Deliveries into the Ontario Wheat Producers' Marketing Board (OWPMB) pool accounts are estimated at 0.97 Mt, vs. 1.28 Mt in 1999-00, due to a smaller and poor quality crop, as well as the marketing of 0.15 Mt outside the Board. The OWPMB Estimated Pool Return for No.1 CEWW wheat is \$105-115/t, terminal or processor position, versus the final realized price of \$105.78/t for 1999-00.

DURUM

For 1999-00, domestic use declined sharply due to a lower than expected STC estimate of FWD. Carry-out stocks fell by 8%, due to the lower production.

For 2000-01, supplies will reach a record 7.2 Mt, with lower carry-in stocks being offset by sharply higher production. Exports are projected to increase, due to strong demand in North Africa, but this will be limited by strong competition from other exporters. Carry-out stocks are projected to rise. The CWB PRO for No.1 CWAD 11.5% protein is unchanged from July, at \$171-201/t, with the midpoint \$19/t below the 1999-00 PRO for No.1 CWAD.

BARLEY

For 1999-00, exports rose sharply but were below the 10-year average of 3.5 Mt. Carry-out stocks increased, partly due to lower feed use.

For 2000-01 production is estimated to increase, due to the larger harvested area. Domestic feed barley use is forecast to rise due to higher livestock numbers in western Canada. Feed and malting barley exports are expected to increase. Carry-out stocks are forecast to be similar to 1999-00. Off-Board feed barley prices are expected to decrease slightly from 1999-00, due to lower US feedgrain prices. The August CWB PRO for No.1 CW feed barley is down by \$4/t from July, at \$115-145/t, with the midpoint \$5/t below 1999-00. The PRO for Special Select (SS) 2-Row designated barley is up by \$5/t from July, at \$176-206/t with the midpoint \$4/t above 1999-00. The discount for SS 6-Row is \$23/t vs. \$5/t for 1999-00.

OATS

For 1999-00, carry-out stocks decreased slightly. Increased export demand was partly offset by lower feed use. For 2000-01, production is estimated to decrease slightly. Lower production and carry-in stocks will reduce supplies. Exports are forecast to remain stable while carry-out stocks decrease. Oat prices are forecast to decline slightly as the large US corn crop pressures feedgrain prices.

CORN

For 1999-00, net imports are estimated at 0.45 Mt. Despite higher domestic use, carry-out stocks are estimated to rise slightly. For 2000-01, production is forecast to decrease sharply, causing net imports to increase to 1.05 Mt. Domestic use is expected to decline marginally as lower feed use offsets higher industrial use. Despite projected lower carry-out stocks, Ontario corn prices are expected to decline marginally due to pressure from the large US corn crop, and Ontario corn is expected to be priced on an import-competitive basis

CANOLA

For 1999-00, exports were the third highest on record and well-above the 10-year average of 2.9 Mt. Due to record production and a slight drop in usage, carry-out stocks tripled to a record high.

For 2000-01, production is estimated to decrease significantly due to the decrease

in seeded area and lower yields. However, supplies are expected to only fall slightly due to high carry-in stocks. Domestic usage is forecast at a record high due to abundant supplies, stable demand for canola oil and profitable crush margins. Exports are forecast to increase slightly due to reduced competition from the EU and Australia. Carry-out stocks are projected to decline significantly, but still remain the second largest on record. Canola prices are expected to decline by 5-10%.

FLAXSEED (excluding solin)

For 1999-00, exports declined significantly due to reduced EU demand, resulting in the doubling of carry-out stocks. For 2000-01, production is estimated to decline sharply due to lower seeded area. However, supplies are expected to decline only slightly due to high carry-in stocks. Exports are forecast to increase to a more normal level due to lower production in the EU. Carry-out stocks are forecast to decline but remain burdensome. Prices are forecast to remain low, similar to 1999-00.

SOYBEANS

For 1999-00, exports are estimated to rise to a record high as increased imports are used to satisfy the record high crush. Carry-out stocks are estimated to increase. For 2000-01, production is forecast to decline slightly as reduced yields are offset by an increase in seeded area. Supplies are forecast to be record high due to high carry-in stocks and large imports. Domestic crush is expected to rise due to strong demand for protein meal. Exports are forecast to remain at a record high due to strong demand for identity preserved soybeans. Carry-out stocks are expected to decrease from 1999-00. Chatham prices are forecast to increase marginally due to higher US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains.....Dennis Jackson.....983-8461
E-mail.....jacksond@em.agr.ca
Oilseeds.....Chris Beckman.....984-4929
E-mail.....beckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mail.....olesonf@em.agr.ca
L/MAD/OUTLOOKS&Dsep2000e.WPD

CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

SEPTEMBER 21, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1998-1999 | 2,914 | 2.07 | 6,042 | 3 | 6,802 | 3,851 | 236 | 598 | 1,003 | 1,948 | 201 |
| 1999-2000 | 1,760 | 2.42 | 4,259 | 9 | 6,216 | 3,575 | 248 | 351 | 849 | 1,792 | 205 * |
| 2000-2001f | 2,580 | 2.10 | 5,427 | 1 | 7,220 | 3,800 | 250 | 660 | 1,120 | 2,300 | 171-201 ** |
| Wheat Except Durum | | | | | | | | | | | |
| 1998-1999 | 7,764 | 2.32 | 18,040 | 77 | 23,369 | 10,872 | 2,628 | 3,554 | 7,010 | 5,487 | 184 |
| 1999-2000 | 8,606 | 2.63 | 22,600 | 6 | 28,092 | 14,736 | 2,690 | 4,243 | 7,753 | 5,603 | 169 * |
| 2000-2001f | 8,314 | 2.40 | 19,991 | 10 | 25,604 | 13,300 | 2,700 | 3,739 | 7,304 | 5,000 | 153-183 ** |
| All Wheat | | | | | | | | | | | |
| 1998-1999 | 10,678 | 2.26 | 24,082 | 80 | 30,171 | 14,723 | 2,864 | 4,152 | 8,013 | 7,435 | |
| 1999-2000 | 10,367 | 2.59 | 26,859 | 14 | 34,308 | 18,311 | 2,938 | 4,594 | 8,602 | 7,395 | |
| 2000-2001f | 10,894 | 2.33 | 25,418 | 11 | 32,824 | 17,100 | 2,950 | 4,399 | 8,424 | 7,300 | |
| Barley | | | | | | | | | | | |
| 1998-1999 | 4,272 | 2.98 | 12,709 | 55 | 15,223 | 1,696 | 376 | 10,033 | 10,790 | 2,737 | 117 |
| 1999-2000 | 4,069 | 3.24 | 13,196 | 33 | 15,966 | 2,342 | 311 | 9,800 | 10,553 | 3,071 | 110 |
| 2000-2001f | 4,661 | 3.03 | 14,122 | 30 | 17,223 | 3,200 | 395 | 10,123 | 10,923 | 3,100 | 90-120 |
| Corn | | | | | | | | | | | |
| 1998-1999 | 1,118 | 8.01 | 8,952 | 893 | 10,737 | 830 | 1,845 | 7,147 | 9,023 | 885 | 110 |
| 1999-2000f | 1,140 | 7.97 | 9,095 | 900 | 10,880 | 450 | 2,000 | 7,450 | 9,481 | 950 | 107 |
| 2000-2001f | 1,150 | 6.87 | 7,900 | 1,300 | 10,150 | 250 | 2,100 | 7,319 | 9,450 | 450 | 90-120 |
| Oats | | | | | | | | | | | |
| 1998-1999 | 1,592 | 2.49 | 3,958 | 3 | 4,807 | 1,517 | 201 | 1,815 | 2,202 | 1,088 | 132 |
| 1999-2000 | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,562 | 167 | 1,786 | 2,114 | 1,057 | 128 |
| 2000-2001f | 1,360 | 2.61 | 3,544 | 3 | 4,604 | 1,550 | 175 | 1,809 | 2,154 | 900 | 110-140 |
| Rye | | | | | | | | | | | |
| 1998-1999 | 204 | 1.96 | 398 | 0 | 462 | 80 | 57 | 139 | 215 | 166 | |
| 1999-2000 | 169 | 2.29 | 387 | 4 | 557 | 86 | 68 | 222 | 309 | 162 | |
| 2000-2001f | 125 | 2.22 | 277 | 1 | 440 | 80 | 75 | 164 | 260 | 100 | |
| Mixed Grains | | | | | | | | | | | |
| 1998-1999 | 198 | 2.77 | 548 | 0 | 548 | 0 | 0 | 548 | 548 | 0 | |
| 1999-2000 | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001f | 136 | 2.88 | 390 | 0 | 390 | 0 | 0 | 390 | 390 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1998-1999 | 7,384 | 3.60 | 26,565 | 952 | 31,777 | 4,122 | 2,478 | 19,681 | 22,778 | 4,876 | |
| 1999-2000f | 6,929 | 3.86 | 26,766 | 940 | 32,582 | 4,439 | 2,546 | 19,705 | 22,904 | 5,240 | |
| 2000-2001f | 7,432 | 3.53 | 26,233 | 1,334 | 32,807 | 5,080 | 2,745 | 19,805 | 23,177 | 4,550 | |
| Canola | | | | | | | | | | | |
| 1998-1999 | 5,421 | 1.41 | 7,643 | 157 | 8,163 | 3,900 | 3,063 | 382 | 3,631 | 633 | 373 |
| 1999-2000 | 5,564 | 1.58 | 8,798 | 122 | 9,553 | 3,892 | 2,983 | 573 | 3,595 | 2,066 | 288 |
| 2000-2001f | 4,855 | 1.46 | 7,086 | 150 | 9,302 | 4,000 | 3,100 | 512 | 3,652 | 1,650 | 250-290 |
| Flaxseed | | | | | | | | | | | |
| 1998-1999 | 874 | 1.24 | 1,081 | 6 | 1,127 | 727 | n/a | n/a | 249 | 151 | 313 |
| 1999-2000 | 793 | 1.32 | 1,049 | 2 | 1,202 | 570 | n/a | n/a | 251 | 381 | 237 |
| 2000-2001f | 581 | 1.33 | 775 | 5 | 1,161 | 650 | n/a | n/a | 261 | 250 | 210-250 |
| Soybeans | | | | | | | | | | | |
| 1998-1999 | 980 | 2.79 | 2,737 | 254 | 3,179 | 868 | 1,576 | 396 | 2,069 | 242 | 266 |
| 1999-2000f | 999 | 2.77 | 2,766 | 450 | 3,458 | 900 | 1,712 | 397 | 2,175 | 383 | 256 |
| 2000-2001f | 1,080 | 2.55 | 2,750 | 400 | 3,533 | 900 | 1,800 | 438 | 2,308 | 325 | 240-280 |
| Total Oilseeds | | | | | | | | | | | |
| 1998-1999 | 7,275 | 1.58 | 11,461 | 417 | 12,469 | 5,496 | 4,639 | 778 | 5,948 | ~ 1,026 | |
| 1999-2000f | 7,357 | 1.71 | 12,613 | 574 | 14,213 | 5,362 | 4,695 | 970 | 6,021 | 2,830 | |
| 2000-2001f | 6,515 | 1.63 | 10,611 | 555 | 13,996 | 5,550 | 4,900 | 950 | 6,220 | 2,225 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1998-1999 | 25,336 | 2.45 | 62,108 | 1,448 | 74,417 | 24,341 | 9,980 | 24,610 | 36,740 | 13,337 | |
| 1999-2000f | 24,652 | 2.69 | 66,238 | 1,528 | 81,104 | 28,112 | 10,180 | 25,268 | 37,527 | 15,465 | |
| 2000-2001f | 24,841 | 2.51 | 62,262 | 1,900 | 79,627 | 27,730 | 10,595 | 25,154 | 37,821 | 14,075 | |

(a) Aug.-July crop year except corn and soybeans which are Sept. - Aug.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No. 1 CWRS and No. 1 CWAD (CWB final price I/S St. Lawrence/Vancouver); Barley (No. 1 Feed, WCE cash I/S, Lethbridge); Corn (No. 2 CE cash I/S, Chatham); Oats (No. 3 CW, WCE cash Track Minneapolis); Canola (No. 1 Canada, WCE cash I/S, Vancouver); Flaxseed (No. 1 CW WCE cash I/S, Thunder Bay); Soybeans (No. 2, I/S, Chatham).

* - CWB Pool Return Outlook (PRO): June, 2000.

** - CWB PRO: August 2000, for No. 1 CWRS and No. 1 CWAD with 11.5% protein. This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f - Agriculture and Agri-Food Canada forecast September 2000.

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Strategic Policy Branch - Market Analysis Division - Winnipeg, Manitoba

CANADA: SPECIAL CROPS SITUATION AND OUTLOOK FOR 2000-2001 September 14, 2000

This report incorporates information from the Statistics Canada (STC) stock estimates released on Sept. 12, 2000. This is the first time STC has provided stock estimates for any special crops. In the Sept. 12 release, STC provided stock estimates for July 31, 2000 and retroactively for July 31, 1999, for dry peas, lentils, mustard seed, canary seed and sunflower seed.

Production of special crops in Canada for 2000-01 is forecast to increase by 26% to 5.14 million tonnes (Mt), based on Statistics Canada's July 31 production estimate for dry peas and AAFC forecast for the other special crops. The special crops harvest is about 60% complete. The risk of frost damage for the unharvested portion is generally low because of the advanced stage of development. Overall, yields are slightly above average, with the exception of dry beans in eastern Canada, for which yields are below average. In general, quality is about average.

Due to higher supply, exports are forecast to increase by 20% to 3.2 Mt in 2000-01. Despite higher exports and domestic use, carry-out stocks are expected to increase significantly. Average prices for dry beans and sunflower seed are expected to increase, while average prices for dry peas, lentils, chick peas and buckwheat are expected to be lower. Average prices of mustard seed and canary seed are expected to be similar to 1999-00.

DRY PEAS

For 1999-00, exports decreased, but domestic use increased. Carry-out stocks are estimated to increase.

For 2000-01, Canadian production is estimated to increase by 30%, as the higher harvested area is partly offset by lower yields. Total supply is estimated to rise by 27%. Exports are forecast to increase by 21%, because of a decrease in production for the rest of the world. Domestic use is forecast to be 13% higher, mainly because of the expected increased use for feeding hogs. Carry-out stocks are forecast to increase, with a moderate stocks-to-use (s/u) ratio of 26%. World total supply is expected to increase slightly to about 12.7 Mt. Low prices of feed grains and protein meal are expected to pressure prices for feed peas, while higher Canadian supply of dry peas pressures prices for food peas. Therefore, the average price over all types, grades and markets is forecast to decrease by 5-10%.

LENTILS

For 1999-00, exports and domestic use increased. Carry-out stocks are estimated to increase.

For 2000-01, Canadian production is forecast to rise by 36%, as the higher harvested area is partly offset by lower yields. Total supply is forecast to increase by 35%. Exports are expected to increase by 23% because of strong world demand and Canada's increased share of world total supply. Carry-out stocks are forecast to increase, with a moderate s/u ratio of 26%. World total supply is forecast to increase by 10% to about 3.5 Mt. The average price over all types and grades is forecast to fall by about 10-15%, as pressure from higher world supply and higher Canadian carry-out stocks more than offsets support from the expected higher average crop quality in Canada.

DRY BEANS

For 1999-00, exports increased. Carry-out stocks are estimated to increase.

For 2000-01, Canadian production is forecast to remain stable, as the higher seeded area is offset by lower expected yields. White pea bean production is forecast to decrease by 12% to 125,000 tonnes (t), while coloured bean production increases by 12% to 170,000 t. Total supply is expected to remain stable, as higher carry-in stocks are offset by lower imports. Exports are forecast to

increase slightly due to less competition from the US. Carry-out stocks are expected to decrease, with a low s/u ratio of 7%. US production is forecast to fall by 25% to 1.11 Mt because of lower harvested area and lower yields. The total supply is not expected to drop by as much because of higher carry-in stocks. World total supply is expected to remain stable at about 19.8 Mt. The lower US total supply is expected to provide some support for Canadian prices. Therefore, the average price, over all types and grades, is forecast to increase slightly.

CHICK PEAS

For 1999-00, exports and domestic use quadrupled due to increased production. Carry-out stocks are estimated to increase.

For 2000-01, Canadian production and total supply are forecast to increase by 95% and 94% respectively due to a doubling of the harvested area, which is partly offset by lower yields. Exports are forecast to triple as Canada's share of world production increases, although Canada accounts for less than 4% of total world supply. Canadian exports are mainly to Asia, the Middle East and Europe, with smaller volumes exported to Latin America and the US. Carry-out stocks are forecast to increase, with a moderate s/u ratio of 21%. Total world supply is forecast to increase by 5% to about 10 Mt, because of higher production and carry-in stocks. The average price over both types and all sizes and grades is forecast to decrease by 5-10%, because of larger world supply, which is partly offset by improved crop quality in Canada and some shift in production to the higher priced kabuli type.

MUSTARD SEED

For 1999-00, exports increased. Carry-out stocks are estimated to increase.

For 2000-01, Canadian production is forecast to decrease by 30%, because of lower harvested area and lower yields. However, total supply is expected to decrease by only 8% due to higher carry-in stocks. Exports are expected to increase slightly, in line with slightly higher world demand. Carry-out stocks are forecast to decrease, but the s/u ratio is forecast to remain high at 38%. Since Canada is the dominant world exporter of mustard seed, the high carry-out stocks are expected to continue pressuring prices. Therefore, the average price over all types and grades is forecast to be similar to 1999-00.

CANARY SEED

For 1999-00, exports increased. Carry-out stocks are estimated to decrease.

For 2000-01, Canadian production is forecast to increase by 20%, due to higher harvested area and yields. However, total supply is forecast to increase by only 5% due to lower carry-in stocks. Exports are expected to increase slightly, in line with slightly higher world demand. Carry-out stocks are forecast to remain high, with a s/u ratio of 45%. Since Canada dominates world canary seed production, the high carry-out stocks are expected to continue pressuring prices, which are forecast to be similar to 1999-00.

SUNFLOWER SEED

For 1999-00, exports increased slightly, while domestic use decreased. Carry-out stocks are estimated to increase.

For 2000-01, production is forecast to decrease by 10%, because of lower harvested area, which is partly offset by higher yields. Total supply is forecast to increase by 15% because of higher carry-in stocks. Exports and domestic use are forecast to increase significantly because of lower production in the US and the growth of the domestic processing industry. Carry-out stocks are forecast to decrease, with a moderate s/u ratio of 22%. Total world supply is forecast to decrease by 7% to about 26 Mt, however oilseed sunflower prices are expected to be pressured by lower vegetable oil prices. Confectionary sunflower supply is expected to be lower because of a 36% lower seeded area in the US, which is expected to support confectionary prices. Therefore, the average price, over both types, is forecast to increase by about 10% due to stronger confectionary type prices and a shift in production to the higher priced confectionary type.

BUCKWHEAT

For 1999-00, exports and domestic use decreased because of lower supply. Carry-out stocks are estimated to be low.

For 2000-01, Canadian production is forecast to increase by 30% due to higher harvested area and yields. Exports are forecast to increase, in line with the higher production. The average price is forecast to decrease slightly, in line with a slightly higher world supply of 2.8 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972

E-mailskrypetzs@em.agr.ca

Fred Oleson, Chief(204) 983-0807

E-mailolesonf@em.agr.ca

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CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS

SEPTEMBER 14, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1996-1997 | 520 | 2.25 | 1,169 | 8 | 1,507 | 856 | 436 | 215 | 209 |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,974 | 1,116 | 523 | 335 | 177 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 132 |
| 1999-2000f | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,400 | 839 | 400 | 135 |
| 2000-2001f | 1,236 | 2.38 | 2,937 | 10 | 3,347 | 1,700 | 947 | 700 | 110-140 |
| Lentils | | | | | | | | | |
| 1996-1997 | 304 | 1.33 | 403 | 4 | 534 | 286 | 108 | 140 | 470 |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 523 | 349 | 109 | 65 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000f | 497 | 1.46 | 724 | 10 | 794 | 530 | 184 | 80 | 380 |
| 2000-2001f | 725 | 1.36 | 985 | 5 | 1,070 | 650 | 200 | 220 | 315-345 |
| Dry Beans | | | | | | | | | |
| 1996-1997 | 84 | 1.58 | 133 | 26 | 179 | 124 | 45 | 10 | 605 |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000f | 154 | 1.91 | 294 | 40 | 359 | 260 | 59 | 40 | 510 |
| 2000-2001f | 168 | 1.76 | 295 | 25 | 360 | 270 | 65 | 25 | 505-535 |
| Chick Peas | | | | | | | | | |
| 1996-1997 | 3 | 1.33 | 4 | 4 | 8 | 1 | 7 | 0 | n/a |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000f | 139 | 1.42 | 197 | 5 | 207 | 65 | 127 | 15 | 390 |
| 2000-2001f | 286 | 1.35 | 385 | 0 | 400 | 200 | 130 | 70 | 345-375 |
| Mustard Seed | | | | | | | | | |
| 1996-1997 | 233 | .99 | 231 | 1 | 244 | 141 | 65 | 38 | 363 |
| 1997-1998 | 292 | .83 | 243 | 1 | 282 | 166 | 68 | 48 | 398 |
| 1998-1999 | 279 | .86 | 239 | 1 | 288 | 162 | 76 | 50 | 348 |
| 1999-2000f | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001f | 208 | 1.03 | 215 | 0 | 330 | 175 | 65 | 90 | 270-300 |
| Canary Seed | | | | | | | | | |
| 1996-1997 | 235 | 1.21 | 285 | 0 | 299 | 122 | 47 | 130 | 300 |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 245 | 134 | 47 | 64 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000f | 146 | 1.14 | 166 | 0 | 276 | 150 | 36 | 90 | 240 |
| 2000-2001f | 173 | 1.16 | 200 | 0 | 290 | 155 | 45 | 90 | 225-255 |
| Sunflower Seed | | | | | | | | | |
| 1996-1997 | 35 | 1.57 | 55 | 12 | 74 | 24 | 39 | 11 | 345 |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 88 | 45 | 40 | 3 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000f | 79 | 1.54 | 122 | 18 | 144 | 45 | 58 | 41 | 295 |
| 2000-2001f | 70 | 1.57 | 110 | 15 | 166 | 55 | 81 | 30 | 310-340 |
| Buckwheat | | | | | | | | | |
| 1996-1997 | 17 | 1.30 | 22 | 1 | 25 | 12 | 11 | 2 | 320 |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000f | 13 | 1.00 | 13 | 1 | 16 | 7 | 8 | 1 | 305 |
| 2000-2001f | 16 | 1.06 | 17 | 1 | 19 | 10 | 8 | 1 | 280-310 |
| Total Special Crops (c) | | | | | | | | | |
| 1996-1997 | 1,431 | 1.61 | 2,302 | 56 | 2,870 | 1,566 | 758 | 546 | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 53 | 3,342 | 1,949 | 861 | 532 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,299 | 2,634 | 1,034 | 631 | |
| 1999-2000f | 2,136 | 1.91 | 4,074 | 87 | 4,792 | 2,627 | 1,383 | 782 | |
| 2000-2001f | 2,882 | 1.78 | 5,144 | 56 | 5,982 | 3,215 | 1,541 | 1,226 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

Source: Statistics Canada and industry consultations.

f - Agriculture and Agri-Food Canada forecast, September 14, 2000.

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | | As of Monday September 11, 2000 | | | | | | | |
|---|------------------|-----------------|--------------------------|------------------|------------------|--------------------------|-------------|------------------|--------------------------|------------------|------------------|--------------------------|------------------|------------------|------------------|------------------|------------------|---------------------------------|--|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | | | | | | | | |
| Vancouver B.C. | This week | FOB | (1) 140.66 (1) 141.16 | N/A | 133.16 134.16 | (3) 141.50 (3) 144.00 | | 309.57 323.11 | (7) 179.63 (7) 166.75 | 114.00 113.00 | 335.00 335.00 | (4) 685.00 (4) 685.00 | 370.00 370.00 | | | | 380.00 380.00 | | | | | | | | |
| Calgary Alta | This week | FOB | (1) 117.50 (1) 118.00 | 105.00 105.00 | 110.00 111.00 | (3) 134.00 (3) 130.00 | | 308.25 313.50 | 179.00 179.00 | | 295.00 295.00 | (4) 675.00 (4) 675.00 | 470.00 470.00 | | | | 390.00 390.00 | | | | | | | | |
| Saskatoon Sask. | This week | FOB | (1) 113.00 (1) 113.00 | 101.00 101.00 | 89.00 89.00 | (3) 121.00 (3) 113.00 | | 297.25 302.50 | 168.00 168.00 | | 295.00 295.00 | (4) N/A (4) N/A | 470.00 470.00 | | 121.00 121.00 | | 405.00 405.00 | | | | | | | | |
| Melfort Sask. | This week | FOB | (1) 118.60 (1) 119.70 | 92.28 88.89 | 93.70 93.40 | | | | | | | | | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | (1) 105.95 (1) 102.45 | 96.37 93.70 | 93.55 91.74 | (3) 105.00 (3) 105.00 | | 281.25 287.00 | 168.00 168.00 | | 295.00 295.00 | (4) 713.50 (4) 713.50 | 420.00 420.00 | | | | 340.00 340.00 | | | | | | | | |
| Thunder Bay Ont. | This week | Track | (1) 135.50 (1) 134.70 | 109.95 106.53 | 108.70 108.40 | | | | | | | | | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board Vessel | | | | (3) 110.82 (3) 102.97 | | | | | | | | | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | (1) 146.60 (1) 147.70 | 157.00 155.00 | 123.65 123.20 | | | | | | | | | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | (2) 112.00 (2) 111.12 | | | | | | | | | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | | | | | | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | FOB | 299.72 295.86 | 176.26 N/A | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | (2) 118.23 (2) 117.98 | | | | | | | | | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | FOB | 315.73 314.56 | 197.53 198.47 | 81.67 84.83 | 303.00 292.00 | (5) 580.00 (5) 615.00 | 254.00 254.00 | 415.00 400.00 | 105.00 108.00 | 215.00 220.00 | 360.00 350.00 | | | | | | | | |
| Trois-Riv. Que. | This week | In-store | (1) 156.60 (1) 156.70 | | 138.70 138.40 | (2) 130.11 (2) 129.62 | | | | | | | | | | | | | | | | | | | |
| St-Jean Que. | This week | FOB | (1) 147.95 (1) 144.28 | 105.00 100.00 | 128.15 126.55 | (2) 128.93 (2) 126.47 | | | | | | | | | | | | | | | | | | | |
| St-Hyacinthe Que. | This week | In-store | (1) 157.10 (1) 157.20 | | 136.70 136.40 | (2) 130.50 (2) 128.96 | FOB | 315.11 314.30 | | | | | | | | | | | | | | | | | |
| Quebec Que. | This week | Track | (1) 183.26 (1) 183.26 | 193.24 193.24 | 162.91 162.91 | (2) 158.63 (2) 158.63 | FOB | 341.60 341.88 | 214.11 214.11 | | 333.50 328.00 | | 360.00 360.00 | | | | 382.50 377.50 | | | | | | | | |
| Truro N.S. | This week | Water & Truck | (1) 167.40 (1) 167.40 | N/A | 172.00 172.00 | 154.50 154.50 | | | | | | | | | | | | | | | | | | | |
| Truro N.S. | This week | In-store | (1) 180.10 (1) 180.10 | N/A | 158.40 158.40 | 141.50 141.50 | FOB | | | 276.50 276.50 | | (5) 561.75 (5) 561.75 | | | | | | | | | | | | | |
| Halifax N.S. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | |
| N.S. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard. Tel: (514) 283.3815 (486) Fax: (514) 283.2754 N/A = not available. US \$ (1.00=Cdn \$1.4777) as of September 8, 2000

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified.

Selling prices based on an average of prices quoted by the trade. Bulk basis. Canada Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal 60% Protein. Fish Meal white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754. N/A = not available. US \$1.00=Cdn \$1.4777 as of September 8, 2000.

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat. No. 1 Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified.

Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain vast % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday September 11 ,2000

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|----------------------|--------------------------|--------|-----------|----------|----|-----------|----------|
| From: Thunder Bay | Track | WHEAT | 135.50 | 134.70 | | 132.50 | 127.60 |
| | | OATS | 109.95 | 106.53 | | N/A | N/A |
| | | BARLEY | 108.70 | 108.40 | | 105.20 | 110.50 |
| To: Bayports, Ont. | In-store | WHEAT | 158.60 | 157.80 | 1. | 155.60 | 149.16 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 135.85 | 135.55 | 1. | 132.35 | 137.25 |
| Montreal, Que. | In-store | WHEAT | 163.35 | 162.55 | 1. | 160.35 | 154.23 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 140.97 | 140.67 | 1. | 137.47 | 142.30 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 185.82 | 185.02 | | 182.82 | 175.48 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 167.33 | 167.03 | | 163.83 | 163.83 |
| Truro, N.S. | Truck via Halifax | WHEAT | 183.32 | 182.52 | | 180.32 | 172.98 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 162.45 | 162.15 | | 158.95 | 161.33 |
| Halifax, N.S. | In-store | WHEAT | 170.65 | 169.85 | 1. | 167.65 | 162.79 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 148.77 | 148.47 | 1. | 145.27 | 150.34 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 230.43 | 229.63 | | 227.43 | 222.53 |
| | | OATS | 216.15 | 212.73 | | N/A | N/A |
| | | BARLEY | 215.84 | 215.54 | | 212.34 | 213.17 |
| From: Melfort, Sask. | FOB | WHEAT | 118.60 | 119.70 | | 118.50 | 119.10 |
| | | OATS | 92.28 | 88.89 | | 108.82 | 108.00 |
| | | BARLEY | 93.70 | 93.40 | | 100.20 | 99.50 |
| To: Bayports, Ont. | Track | WHEAT | 174.72 | 175.82 | | 174.62 | 175.20 |
| | | OATS | 151.15 | 147.76 | | 167.69 | 173.37 |
| | | BARLEY | 147.09 | 146.79 | | 153.59 | 156.30 |
| Montreal, Que. | Track | WHEAT | 175.47 | 176.57 | | 175.37 | 175.96 |
| | | OATS | 152.05 | 148.66 | | 168.59 | 174.27 |
| | | BARLEY | 147.91 | 147.61 | | 154.41 | 157.12 |
| Moncton, N.B. | Track | WHEAT | 196.65 | 197.75 | 1. | 196.55 | 197.13 |
| | | OATS | 175.39 | 172.00 | | 191.93 | 197.34 |
| | | BARLEY | 160.02 | 159.72 | | 166.52 | 178.68 |
| Truro, N.S. | Track | WHEAT | 196.82 | 197.92 | | 196.72 | 197.30 |
| | | OATS | 176.36 | 172.97 | | 192.90 | 200.78 |
| | | BARLEY | 173.64 | 173.34 | | 180.14 | 179.69 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 240.16 | 241.26 | | 240.06 | 240.63 |
| | | OATS | 223.74 | 220.35 | | 240.28 | 245.69 |
| | | BARLEY | 221.93 | 221.63 | | 228.43 | 227.99 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 110.82 | 102.97 | | 99.16 | 118.88 |
| To: Montreal, Que. (US Corn) | In-store | | 129.72 | 121.87 | 1. | N/A | 136.88 |
| From: Saginaw (Mi) | Track | | 93.81 | 92.52 | | 87.48 | 112.49 |
| To: Montreal, Que. (US Corn) | Track | | 121.35 | 120.06 | | 115.02 | 144.79 |
| From: Chatham | Track | | 112.00 | 111.12 | | N/A | 118.79 |
| To: Montreal, Que. | Track | | 134.89 | 134.01 | | 127.51 | 143.34 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|----------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 299.72 | 295.86 | | 266.98 | 258.71 |
| To: Montreal, Que. | Track | | 322.19 | 318.33 | | 289.45 | 282.38 |
| Moncton, N.B. | Track | | 339.50 | 335.64 | | 306.76 | 299.73 |
| Truro, N.S. | Track | | 342.47 | 338.61 | | 309.73 | 302.87 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 391.73 | 387.87 | | 358.99 | 350.17 |

I. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

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DRY BEANS: SITUATION AND OUTLOOK

Dry beans are the fourth largest special crop produced in Canada, after dry peas, lentils, and chick peas. Production increased during the 1990s and is expected to increase further during the next ten years with the increased diversification of Canadian crop production. Although Canada produces only about 1.5% of the world's dry beans, it is the fifth largest exporter of dry beans in the world, accounting for nearly 10% of world exports. The value of Canadian exports has increased from \$96.2 million in 1996-1997, to \$188.5 million in 1999-2000. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for dry beans.

BACKGROUND

On a world level, the term dry beans refers to several categories of beans. Dry beans produced in North and South America, Europe and Africa belong mainly to the genus *Phaseolus*, which is of American origin. Most of the beans in the genus *Phaseolus* belong to the species *vulgaris*, widely known as common bean. This species includes the classes of beans produced in Canada, such as white pea, pinto, black, dark and light red kidney, cranberry, small red, Great Northern, pink, brown and white kidney. The other significant species under the genus *Phaseolus* is *lunatus*, which includes lima beans. In Asia and Australia, most dry beans produced belong to the genus *Vigna*, which is of Asian origin. Common members of *Vigna* include azuki beans (*Vigna angularis*) and mung beans (*Vigna radiata*). A small amount of azuki beans are produced in Canada. In addition, in some countries other crops are included under dry beans. An example of this is the inclusion of garbanzo beans under dry beans in the U.S. Garbanzo beans are actually kabuli chick peas and are included with chick peas in Canada and other producing countries.

Agronomics

Dry beans are a leguminous crop and are able to fix their own nitrogen, therefore the seed must be inoculated. However, they will not fix as much nitrogen as dry peas, lentils, and fababeans. Dry beans are very sensitive to frost; therefore seeding should be done when the risk of killing spring frost is over and soil temperature is greater than 10 degrees Celsius. They require 90-110 frost free days, depending on bean class and variety. Dry beans adapt to a wide range of soils, but do best in medium textured soils such as light loams, sandy loams and silt loams that offer good water infiltration and good water holding capacity, combined with good internal drainage. A crop rotation pattern over three to four years is recommended to reduce disease, improve soil fertility and help in overall weed control. Dry beans fit well in crop rotations with crops such as cereal grains and corn.

Combining at low cylinder speed (150-300 revolutions per minute), seed moisture of 18% and a wide concave should reduce seed splitting and seed coat cracking. Dry beans can safely be stored at 16% moisture content. Belt conveyors should be used to move dry beans to avoid seed coat injury or seed cracking.

Nutrition

Dry beans are used almost entirely for human food. They are an excellent source of protein and are complementary to the proteins contained in wheat, barley, oats, rye, corn, as well as buckwheat. Dry beans are low in fat and cholesterol-free and are a very high source of soluble fibre. Some medical studies have shown that beans help to lower blood cholesterol and may help to control blood sugar in people with diabetes. As a food rich in complex carbohydrates, dry beans are an excellent source of energy. They supply

CANADA: DRY BEAN PRODUCTION BY CLASS

| | 1998 -1999 | 1999 -2000 | 2000 -2001 ^f |
|---------------------------|---------------|---------------|----------------------------|
|thousand tonnes..... | | | |
| White Pea | 65 | 143 | 120 |
| Pinto | 38 | 42 | 67 |
| Cranberry | 19 | 24 | 20 |
| Black | 18 | 22 | 20 |
| Great Northern | 7 | 14 | 19 |
| Small Red | 12 | 15 | 14 |
| Dark Red Kidney | 12 | 13 | 10 |
| Light Red Kidney | 5 | 9 | 8 |
| Pink | 5 | 6 | 1 |
| Other | 8 | 6 | 6 |
| Total | 189 | 294 | 285 |

f: forecast, AAFC, October 2000

Source: AAFC estimates based on Statistics Canada and industry reports



impressive amounts of B-vitamins, calcium, iron, phosphorous, potassium, and zinc. Dry beans are gluten-free and contain very little sodium. The nutritional profile of dry beans makes them a welcome addition to any diet and they play an important role in gluten-free, diabetic, low salt, low calorie, low cholesterol, high iron, and high fibre diets. Dry beans also act as an appetite suppressant. Because they digest slowly and cause a low, sustained increase in blood sugar, researchers have found that beans can delay the reappearance of hunger for several hours, enhancing weight-loss programs. Dry beans are often eaten as a meat substitute because of the high protein content and quality.

WORLD

Production

World dry bean production has been trending upwards during the 1990s reaching 19.37 million tonnes (Mt) in 1999-2000. The top ten producing countries, India, Brazil, U.S., China, Mexico, Myanmar, Indonesia, Argentina, Uganda, and Canada account for about 75% of total world production.

U.S. production (without garbanzos) has been trending upwards since the mid 1990s and reached 1.47 Mt in 1999-2000. Since the early 1990s, there has been a shift in production from Idaho, Colorado, California, and Nebraska to Minnesota and, especially, North Dakota. In 1999-2000, North Dakota accounted for 25% of U.S. dry bean production, followed by Michigan at 23%, Nebraska at 12%, Colorado at 8%, and Minnesota at 8%. These top five production states accounted for 76% of U.S. dry bean production (excluding garbanzos).

Pinto, white pea (navy), and black beans accounted for 33%, 22%, and 10% of U.S. dry bean production respectively in 1999-2000. Other classes produced include Great

Northern, dark and light red kidney, blackeye, small red, pink, cranberry, baby limas, large limas, and small white. In 1999-2000, white pea beans accounted for most of the increase in production. The most significant decrease was for pinto beans.

Consumption and Trade

About 85% of dry beans are consumed in the countries

where they are produced. India, Brazil, Mexico, U.S., and China are the world's largest consumers of dry beans. On a regional basis, per capita consumption is the highest in Latin America at about 15 kilograms (kg), and is predominantly of coloured beans such as pinto, black, red kidney, and cranberry. In the U.S., dry bean consumption has increased from an average of 2.8 kg per person during the 1980s, to a projected 3.7 kg per person in 2000.

World trade in dry beans has been trending upwards during the 1990s, from 2.0 Mt per year during the early 1990s, to an average of about 2.5 Mt per year during the period 1995-1997. In 1998, the latest year for which data are available, exports decreased to 2.3 Mt. The top five exporting countries in 1998 were Myanmar, U.S., China, Argentina, and Canada. They accounted for 82% of world exports. Imports are distributed much more widely than exports. The top ten importing countries, Brazil, Mexico, Japan, United Kingdom, Netherlands, Venezuela, Pakistan, France, Spain, and U.S. account for only 55% of world imports.

About 35% of U.S. production is exported, mainly to Latin America and Europe.

WORLD: DRY BEAN PRODUCTION

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|------------------|--------------------------|--------------|--------------|--------------|--------------|
| | -1997 | -1998 | -1999 | -2000 | -2001f |
| |million tonnes..... | | | | |
| India | 3.00 | 3.60 | 3.00 | 4.55 | 4.50 |
| Brazil | 2.82 | 2.99 | 2.20 | 2.89 | 2.80 |
| China | 1.54 | 1.30 | 1.71 | 1.81 | 1.70 |
| United States * | 1.25 | 1.31 | 1.36 | 1.47 | 1.11 |
| Myanmar | 0.93 | 0.84 | 1.08 | 1.21 | 1.25 |
| Mexico | 1.35 | 0.96 | 1.26 | 1.08 | 1.17 |
| Indonesia | 0.86 | 0.87 | 0.90 | 0.90 | 0.90 |
| Argentina | 0.23 | 0.27 | 0.30 | 0.31 | 0.29 |
| Canada ** | 0.13 | 0.16 | 0.19 | 0.29 | 0.29 |
| Uganda | 0.23 | 0.22 | 0.27 | 0.30 | 0.28 |
| Other | 4.44 | 4.51 | 4.56 | 4.56 | 4.61 |
| World | 16.78 | 17.03 | 16.83 | 19.37 | 18.90 |

f: forecast, AAFC, except * USDA, October 2000

Source: FAO, except * USDA (without garbanzos) and ** Statistics Canada

CANADA

Production

Canadian dry bean production has increased sharply from 133,000 tonnes (t) in 1996-1997 to 294,000 t in 1999-2000. Over that period, white pea bean production has increased from 59,000 t to 143,000 t, while coloured bean production increased from 74,000 t to 151,000 t.

There has been a shift in white pea bean production during the past four years from Ontario to Manitoba. Coloured bean production increased in all producing provinces during the same period, but the largest increase was in Manitoba and Alberta. Manitoba surpassed Ontario as the largest producer of dry beans in 1998-1999. Eastern Canada's share of dry bean production decreased from 55% in 1996-1997 to 41% in 1999-2000 and Western Canada's share grew from 45% to 59% during the same period.

White pea beans accounted for 49% of Canadian dry bean production in 1999-2000, followed by pinto beans at 14% and cranberry at 8%. Although there has been an upward trend in the production of all classes of dry beans

since 1996-1997, there has been some fluctuation from year to year in response to changes in prices for individual classes of beans.

Marketing

Most of the dry beans in Canada are marketed on the open market, however there are two pooling arrangements. The Government of Canada guarantees the initial payment for both of the pools

under the Agricultural Marketing Programs Act (AMPA) Price Pooling Program. In Ontario, the Ontario Bean Producers' Marketing Board (OBPMB) is responsible for marketing white pea beans. The OBPMB was established (1) to provide orderly marketing of white pea beans in Ontario, (2) to ensure a reasonable return to producers, and (3) to maintain continuity of supply to domestic and export markets. Marketing Ontario grown white pea beans

through the OBPMB is compulsory under provincial regulations, although for the first time in 1998-1999, producers were offered more flexibility by being able to market up to 0.56 t/ha (500 pounds per acre) outside the pool through a Partial Production Contract (PPC) through one of the seven licensed dealers that serve as agents of the Board. Originally there was a total program volume cap, but this was removed for the 2000-2001 crop

CLASSES OF DRY BEANS PRODUCED IN CANADA

WHITE PEA BEANS (*also known as navy beans and alubias chica*)

- produced mainly in Manitoba and Ontario
- round beans used mainly for canning and dry packaging
- seeds/100 grams (g): 450-525
- most of the production is exported to the United Kingdom, where they are mainly canned in tomato sauce; also used in soups, stews, Boston baked beans, salads, and purees

PINTO BEANS

- produced mainly in Manitoba and Alberta
- flat beans, with white to beige background and brown mottled flecks
- seeds/100 g: 260-300
- used for refried beans and dry packaging; also for stews and dips
- a favourite for Mexican and South American dishes; beans turn solid pink when cooked

BLACK BEANS (*black turtle beans, preto beans*)

- produced mainly in Manitoba and Ontario
- seeds/100 g: 500-550
- used for canning and dry packaging
- popular in Caribbean and Latin American cuisine; traditional in soups, stews, and sauces; add colour to salads

BROWN BEANS (*dutch brown beans*)

- produced mainly in Ontario and Manitoba
- tan in colour, with a white hilum
- seeds/100 g: 210-300
- used for canning and dry packaging

CRANBERRY BEANS

(*romano beans, speckled sugar beans*)

- produced mainly in Ontario, Quebec and Manitoba
- burgandy mottled beans with a white to buff seed coat
- seeds/100 g: 145-255
- used for dry packaging and canning; used in soups, stews, and salads
- a favourite for Italian cuisine

AZUKI (*small red*)

- small red bean
- produced in Ontario
- sweet bean paste, candied beans
- popular in Japanese cuisine

GREAT NORTHERN BEANS (*large white beans*)

- produced mainly in Alberta and Manitoba
- flat, white coloured beans
- seeds/100 g: 280-330
- used for dry packaging
- a frequent choice for soups, casseroles, baked dishes and mixing with other varieties
- very popular in North Africa and the Middle East

SMALL RED BEANS (*red Mexican beans*)

- produced mainly in Alberta and Manitoba
- dark red beans
- seeds/100 g: 275-330
- used for canning and dry packaging
- adds sparkle to bean salads; can be used in any coloured bean recipe

PINK BEANS

- produced mainly in Alberta and Manitoba
- pinkish beige beans
- seeds/100 g: 330-400
- used for refried beans and dry packaging
- popular in barbecue style dishes

DARK AND LIGHT RED KIDNEY BEANS

- produced mainly in Ontario and Manitoba
- kidney shaped, dark or light red beans
- seeds: 100 g: 150-220
- used for canning and dry packaging
- favoured bean for making New Orleans red bean dish and chili

WHITE KIDNEY (*alubia type beans*)

- flat white bean
- produced in Ontario
- seeds/100 g: 150-200
- used for canning and dry packaging

year. The bulk of the production continues to be marketed through the OBPMB pooling system. The beans are delivered to one of the licensed dealers and OBPMB takes legal possession of the beans when the growers have received an initial payment. The OBPMB offers beans for sale over the marketing season to their agents who store, clean, and ship the beans to domestic and export markets. Sales revenue for white pea beans are pooled and producers receive an interim and a final payment at the close of the pool account after the storage, processing, selling, and transportation costs are deducted.

The Agricore Bean Business

Unit (ABBU) operates a voluntary pool for pinto, pink, great northern, small red and black beans. Producers wishing to participate in the pool, sign a production contract with the ABBU, receive an initial payment on delivery and a final payment after all beans are sold and the cost of storage, processing, marketing and transportation deducted. The vast

majority of the producers participating in the pool are in Alberta, however there are some in Saskatchewan.

The rest of the dry beans produced in Canada are sold on the open market to dealers. There are about 25 dealers with about 45 plants buying dry beans in Canada. The dealers are either private companies, individuals or producer co-operatives. Most of them are located in Ontario and Manitoba. Some of the Ontario dealers have developed business partnerships with Manitoba dealers because of the shift in production from Ontario to Manitoba. In addition some of the beans are sold directly to dealers in the U.S. Some of the beans are grown under production contracts which guarantee the price for part of the production and others are sold on the spot market. The amount grown under production and price contracts varies from year to year depending on the level of prices offered under the contracts.

Prices

Canadian dry bean prices are determined on an export basis because Canada exports roughly 80% of its production. Prices generally follow U.S. prices for the same class of beans adjusted for

the differences in currency exchange rates and transportation costs. The average producer price, over all classes and grades, was about \$605 per tonne (/t) in 1996-1997, but dropped to \$485/t in 1997-1998. In 1998-1999, prices improved and averaged about \$655/t, but fell again in 1999-2000 to about \$505/t. Increased production contributed to the decrease in prices. Substitution of one class of bean with another is limited in the market place, therefore it is common for wide price spreads to exist between different class of beans. In 1999-2000, the prices of dark and light red kidney, cranberry and Great Northern beans were the strongest with prices above the average levels; the prices of small red and pink beans were near average levels; and the prices of pinto, white pea, black and brown beans were at below average levels.

Since there is no futures market for dry beans, prices are negotiated directly between dealers and customers and are based on supply and demand factors for each class of beans. The prices negotiated could be for nearby delivery or for delivery as much as a year in the future.

Domestic Use

Canadian domestic use, which includes food, feed, seed, dockage and waste, accounts for only about 20% of production. It has been increasing

CANADA: DRY BEAN PRODUCTION

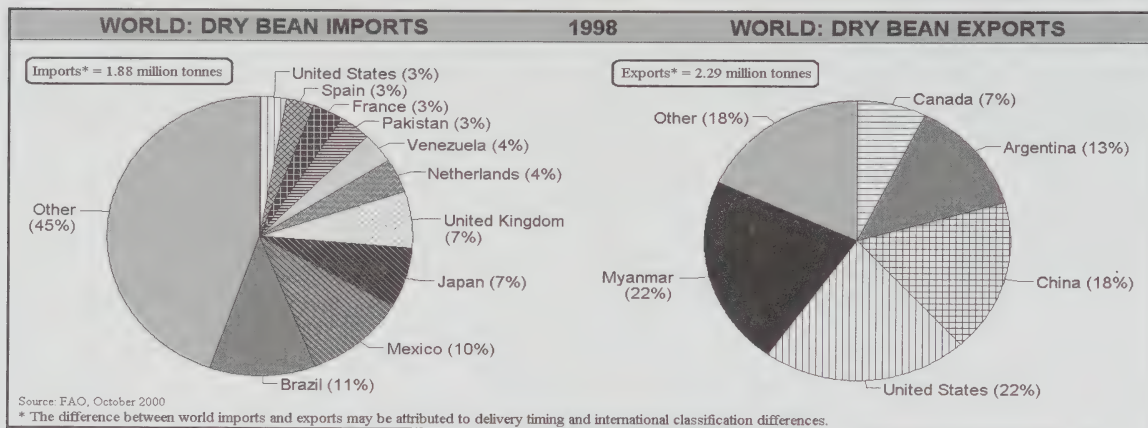
| | 1996 -1997 | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001f |
|---------------------------|---------------|---------------|---------------|---------------|----------------|
|thousand tonnes..... | | | | | |
| WHITE PEA BEANS | | | | | |
| Quebec | 2 | 3 | 3 | 3 | 2 |
| Ontario | 38 | 43 | 26 | 67 | 25 |
| Manitoba | 19 | 32 | 36 | 73 | 93 |
| Total | 59 | 78 | 65 | 143 | 120 |
| COLOURED BEANS | | | | | |
| Quebec | 8 | 7 | 7 | 11 | 8 |
| Ontario | 25 | 23 | 32 | 39 | 22 |
| Manitoba | 18 | 16 | 36 | 49 | 82 |
| Saskatchewan | 1 | 3 | 4 | 9 | 10 |
| Alberta | 22 | 36 | 45 | 43 | 43 |
| Total | 74 | 85 | 124 | 151 | 165 |
| ALL BEANS | | | | | |
| Quebec | 10 | 10 | 10 | 14 | 10 |
| Ontario | 63 | 66 | 58 | 106 | 47 |
| Manitoba | 37 | 48 | 72 | 122 | 175 |
| Saskatchewan | 1 | 3 | 4 | 9 | 10 |
| Alberta | 22 | 36 | 45 | 43 | 43 |
| Total | 133 | 163 | 189 | 294 | 285 |

f: forecast, AAFC, October 2000
Source: Statistics Canada and AAFC

CANADA: DRY BEAN EXPORTS

| | 1996 -1997 | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001f |
|----------------------------------|---------------|---------------|---------------|---------------|----------------|
| August-July crop year | | | | | |
|thousand tonnes..... | | | | | |
| Europe | 50 | 60 | 71 | 118 | 120 |
| United States | 37 | 27 | 33 | 58 | 55 |
| South America | 12 | 18 | 17 | 26 | 30 |
| Central America and Caribbean | 7 | 9 | 44 | 23 | 25 |
| Middle East | 3 | 5 | 9 | 13 | 15 |
| Asia and Oceania | 10 | 5 | 9 | 11 | 15 |
| Africa | 5 | 3 | 10 | 10 | 10 |
| Total | 124 | 127 | 193 | 259 | 270 |

f: forecast, AAFC, October 2000
Source: Statistics Canada



gradually from about 45,000 t in 1996-1997 to 61,000 t in 1999-2000. Only a small amount of low grade, weather-damaged beans are used for livestock feed. Food use is estimated at 20,000 t in 1999-2000 or about 0.7 kg per person. It has been growing because of the increased use of beans in ethnic cuisine and the development of quick-cooking and specialty products. Dry beans are either canned, packaged dry for retail sale or further processed into products such as refried beans, pork and beans, stews, soups, chili, bean flour, bean paste, fibre biscuits, and snack food.

Exports and Imports

Canadian dry bean exports are primarily in the unprocessed form. Exports peaked at 173,000 t in 1995-1996, dropped to 124,000 t in 1996-1997 due to decreased production, then increased during the next three years to 259,000 t in 1999-2000. Although exports increased to all regions of the world, the largest increase was to Europe. For white pea beans, the largest customer is the UK and for coloured beans, the U.S. However, Canadian dry beans are exported to all parts of the world. The main importing countries in 1999-2000 were (in order of importance): UK, U.S., Colombia, Cuba, Italy, Spain, Portugal, Netherlands, Japan, and Dominican Republic. These ten countries accounted for 77% of Canadian

exports. All exports are carried out by the bean dealers. Access and market development activities are conducted under the leadership of Pulse Canada, a national organization created in 1997 by producers, processors, and exporters of Canadian pulses. With about 80% of Canadian dry bean production moving to other countries, Canadian producers and dealers are far more dependent on exports than their counterparts in most other countries.

Canadian imports of dry beans are mostly from the U.S. and are primarily for seed and to fill niche markets or supply gaps. Import volumes averaged about 40,000 t per year during the past four years.

OUTLOOK

World: 2000-2001

World production is forecast to decrease slightly to 18.9 Mt in 2000-2001, with the total supply also decreasing slightly to about 19.8 Mt.

U.S. production is expected to decrease by 25% to about 1.11 Mt (excluding garbanzos). Although production estimates by class will not be available until December, production estimates based on the seeded area suggest a decrease in production for all classes, with the sharpest decrease for pink, blackeye, small red, black and white pea beans.

Canada: 2000-2001

Canadian dry bean seeded area increased by 9% to 168,000 hectares (ha) in 2000-2001. Dry white beans seeded area decreased slightly to 74,500 ha and coloured beans seeded area increased by 20% to 93,500 ha. Pinto beans accounted for most of the increase in seeded area for coloured beans, but Great Northern, dark and light red kidney, and cranberry seeded area also increased. The only significant decrease in seeded area was for pink beans. The white pea bean seeded area shifted to Manitoba with a 35% decrease in Ontario and a 25% increase in Manitoba. The increase in seeded area for coloured beans was almost entirely in Manitoba, where it increased by nearly 60%.

Total Canadian dry bean production is expected to decrease slightly to 285,000 t because of lower expected yields in Eastern Canada. Growing areas in Eastern Canada, especially Ontario, had a very wet summer, which reduced yields. Therefore, production shifted further to Western Canada with about 80% of Canadian production compared to 20% in Eastern Canada. Production of white pea beans is expected to decrease by 15% to about 120,000 t, while coloured bean production increases by 10% to about 165,000 t.

Total supply of all dry beans is forecast to decrease slightly to 350,000 t. Domestic use is forecast to increase by 9% to 65,000 t and exports are forecast to increase by 5% to 270,000 t. The growth in exports is expected to be spread out through most regions of the world. With the decreased supply and increased use, carry-out stocks are forecast to drop to a low level, with a stocks-to-use ratio of 5%.

The average price, over all classes and grades is expected to increase slightly to \$505-535/t. The high carry-in stocks in North America are continuing to pressure prices for most types of dry beans. Factors to watch include the final production reports for Canada and the U.S. The strongest potential for average crop year price increases is for cranberry, dark and light red kidney, and Great Northern beans. The Canada/U.S. exchange rate plays an important role in Canadian bean prices since prices are generally determined in the U.S. market. The Canadian dollar is expected to appreciate in 2000-2001, which will also pressure prices.

Canada: Long-Term

Canadian dry bean production is expected to increase over the decade, with the bulk of the growth occurring in Western Canada, especially in Saskatchewan and Manitoba. The Saskatchewan dry bean industry is still in the development stage, but work is underway to develop shorter season pinto, black and white pea bean varieties. Once commercial production of the shorter season varieties starts in three to five years, Saskatchewan is expected to become an important dry bean producer. Production in Manitoba is also expected to grow and will likely expand into new areas with the development of shorter season varieties. The potential growth in Alberta dry bean seeded area is limited because beans use mainly irrigated land and face competition from higher value per hectare crops such as potatoes and

| CANADA: DRY BEAN SUPPLY AND DISPOSITION | | | | | |
|--|---------------------------|-----------------------|-----------------------|-----------------------|------------------------|
| <i>August-July crop year</i> | 1996 -1997 | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001f |
| Harvested Area (000 ha) | 84 | 90 | 96 | 154 | 168 |
| Yield (t/ha) | 1.58 | 1.82 | 1.98 | 1.91 | 1.70 |
| |thousand tonnes..... | | | | |
| Carry-in Stocks | 20 | 10 | 15 | 25 | 40 |
| Production | 133 | 163 | 189 | 294 | 285 |
| Imports | 26 | 20 | 69 | 41 | 25 |
| Total Supply | 179 | 193 | 273 | 360 | 350 |
| Exports | 124 | 127 | 193 | 259 | 270 |
| Total Domestic Use | 45 | 51 | 55 | 61 | 65 |
| Carry-out Stocks | 10 | 15 | 25 | 40 | 15 |
| Stocks-to-Use Ratio (%) | 6 | 8 | 10 | 13 | 5 |
| Average producer price (\$/t) | 605 | 485 | 655 | 505 | 505-535 |
| Harvested Area (000 ac.) | 208 | 222 | 237 | 381 | 415 |
| Yield (lb/ac.) | 1,410 | 1,624 | 1,767 | 1,704 | 1,517 |
| Production (thousand cwt) | 2,932 | 3,594 | 4,167 | 6,482 | 6,283 |
| Average producer price (\$/lb) | 0.274 | 0.220 | 0.297 | 0.229 | 0.229-0.243 |
| f: forecast, AAFC, October 2000 | | | | | |
| Source: Statistics Canada and AAFC | | | | | |

sugar beets. Outside the irrigated area, Alberta is generally either too dry or has too short a growing season for dry bean production, but as in Manitoba there could be some growth in new areas with the development of shorter season varieties.

Mexico, the world's second largest importer of dry beans, has the potential of becoming an important market for Canada. Under the North American Free Trade Agreement (NAFTA) agreement, a 15 year transition period, ending in 2008, was established for the import of dry beans from the U.S. and Canada. For 2000, Canada has a tariff rate quota (TRQ) of 1,791 t and an over quota tariff of 93.9%. Dry beans imported for seeding already have a zero tariff rate. Canadian dry bean exports are expected to trend upwards during the next decade as a result of the increasing TRQ and decreasing tariff rate, which will be eliminated in 2008. The Mexican demand is mainly for coloured beans.

For periodic updates on the situation and outlook for dry beans, visit the Market Analysis Division Website for

"Canada: Special Crops Situation and Outlook".

For more information please contact:

Stan Skrypetz

Special Crops Analyst

Phone: (204) 983-8972

E-mail: skrypetzs@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

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Market Analysis Division,
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 500-303 Main Street
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 Telephone: (204) 983-8473
 Fax: (204) 983-5524
 Editor: Gordon MacMichael
 E-mail: macmichaelg@em.agr.ca

Director: Maggie Liu
Chief: Fred Oleson

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Policy Branch - Market Analysis Division - Winnipeg, Manitoba

CANADIAN GRAINS AND OILSEEDS OUTLOOK : 2000-2001 OCTOBER 17, 2000

Production of grains and oilseeds in Canada is estimated by Statistics Canada (STC) at 61.4 million tonnes (Mt) compared to 66.3 Mt in 1999-00 and the 10-year average of 60.7 Mt. In Western Canada, the production of spring wheat, canola, flaxseed, oats and rye has decreased, while the production of durum and barley has risen. Yields are below average in southern Alberta, due to dry conditions, while they are above normal for the rest of Western Canada. The proportion of the wheat and durum crops falling into the top grades is expected to be below normal due to wet weather at harvest. However, protein levels are reported to be above average. In Eastern Canada, the production of corn and soybeans decreased due to the abnormally wet and cold growing conditions during 2000-01, with quality expected to be below normal.

Total exports of grains and oilseed are forecast to decline slightly, to 27.5 Mt in 2000-01. Exports of durum, barley, canola, flaxseed and soybeans are expected to increase, while exports of spring wheat are forecast to decrease from 1999-00. Average prices for spring wheat, soybeans and designated barley are expected to rise, while prices for durum and canola are expected to fall. Prices for coarse grains are expected to be similar to 1999-00. Although EU domestic subsidies remain high, to-date it has not used export subsidies for wheat and barley but has recently granted export subsidies of about US\$30/t on oats. US Loan Deficiency Payments for 2000-01 have averaged US\$0.44/bu on 67% of the wheat crop, US\$0.28/bu on 49% of the barley crop and US\$0.29/bu on 59% of the oat crop.

WHEAT (ex-durum)

Wheat supplies are 8% below 1999-00 due to an 11% decrease in production which was only partly offset by higher carry-in stocks. Due to lower feed demand, domestic use is forecast to decline slightly. Exports are forecast to fall by 10%, to 13.3 Mt compared to the 10-year average of 16 Mt. Carry-out stocks are forecast to decrease to a very low level of 5.0 Mt. The Canadian Wheat Board (CWB) Sept. 2000-01 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$4/t above the August PRO, at \$157-187/t, in-store Vancouver/St. Lawrence, with the midpoint \$6/t higher than 1999-00. The Ontario Wheat Producers' Marketing Board's (OWPMB) Oct. 3 Estimated Pool Return for No.1 CEWW is \$105-115/t, vs. the 1999-00 final realized price of \$106/t. Due to fusarium damage, about 0.3 Mt or 30% of the wheat delivered to the OWPMB in 2000-01 is expected to grade feed.

DURUM

Supplies have risen by 17% to a record 7.3 Mt as the 28% increase in production has been only partly offset by lower carry-in stocks. Domestic use is forecast to increase due to higher feed use. Exports are expected to rise by 6%, to 3.8 Mt, due to increased import demand from North Africa. Carry-out stocks are forecast to increase by 28% to a record 2.3 Mt, compared to the 10-year average of 1.7 Mt. The CWB 2000-01 PRO for No.1 CWAD 11.5% protein is \$179-209/t, up \$8/t from August, and with the midpoint \$11/t below the 1999-00 PRO.

BARLEY

Barley supplies are 3% above 1999-00, due to higher production and carry-in stocks. Domestic feed barley use is expected to be similar to 1999-00 as livestock numbers are forecast to be unchanged. Feed barley exports are expected to increase due to increased supply. Malting barley exports are also expected to rise due to increased demand for two-row and six-row malting barley from China and the US, respectively. Competition in the malting barley market from Australia is expected to increase due to higher supplies, but competition from the EU is expected to decrease due to lower quality as a result of wet harvest conditions. Carry-out stocks are expected to decrease slightly. Off-Board feed barley is forecast to average \$110/t, the same as 1999-00. The Sept. CWB PRO for No.1 CW Feed Barley decreased by \$2/t from August, to \$113-143/t, vs. the 1999-00 PRO of \$135/t. The Sept. PRO for Special Select Two Row Designated Barley remained unchanged at \$176-206/t, vs. the 1999-00 PRO of \$188/t.

OATS

Supplies are slightly lower due to lower production and carry-in stocks. Exports are expected to fall slightly due to increased competition from the EU in the US import market for feed oats. Carry-out stocks are expected to decrease but average oat prices should remain unchanged from 1999-00.

CORN

Supplies are 5% lower due to lower production, in spite of historically high carry-in stocks. Domestic use is forecast to increase due to increased food and industrial use for starch and ethanol production. Feed use is forecast to be similar to 1999-00. Net imports of corn are expected to remain high. Chatham corn prices expected to increase marginally from 1999-00 due to slightly higher US corn prices.

CANOLA

Canola supplies have declined by 4% to 9.1 Mt as the 21% decrease in production was only partly offset by carry-in stocks which increased to a record level. Domestic crush is forecast to increase to a near record 3.1 Mt, due to abundant supplies and profitable crush margins despite low vegetable oil prices. Exports are expected to increase slightly due to less competition from Australia and the EU. Carry-out stocks are forecast to decrease to 1.5 Mt but remain burdensome. Canola prices (WCE - cash, in-store Vancouver) are expected to decrease by about 5%.

FLAXSEED (excluding Solin)

Flaxseed supplies have decreased by 7% as the 31% decrease in production was only partly offset by higher carry-in stocks. Exports are expected to increase to a more normal level due to higher imports by the EU. Carry-out stocks are forecast to decrease by nearly 40% and flaxseed prices (WCE - cash, in-store Thunder Bay) are expected to be similar to 1999-00.

SOYBEANS

Soybean supplies are slightly above 1999-00 as higher imports are expected to offset the slightly lower production associated with the wet and cold conditions across Ontario. Exports are forecast to increase to a record high due to support from niche markets. Domestic crush is expected to rise to a record high due to stable crush margins and ample supplies. Soybean prices (in-store Chatham elevator) are expected to increase slightly, following US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains..Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca
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CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

OCTOBER 17, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1998-1999 | 2,914 | 2.07 | 6,042 | 3 | 6,802 | 3,851 | 236 | 598 | 1,003 | 1,948 | 201.00 |
| 1999-2000 | 1,760 | 2.44 | 4,300 | 9 | 6,257 | 3,575 | 248 | 392 | 890 | 1,792 | 205 * |
| 2000-2001f | 2,580 | 2.13 | 5,493 | 5 | 7,290 | 3,800 | 255 | 695 | 1,190 | 2,300 | 179-209 ** |
| Wheat Except Durum | | | | | | | | | | | |
| 1998-1999 | 7,764 | 2.32 | 18,040 | 77 | 23,369 | 10,872 | 2,628 | 3,554 | 7,010 | 5,487 | 184.00 |
| 1999-2000 | 8,606 | 2.63 | 22,600 | 6 | 28,093 | 14,737 | 2,690 | 4,243 | 7,753 | 5,603 | 166 * |
| 2000-2001f | 8,314 | 2.43 | 20,223 | 15 | 25,841 | 13,300 | 2,700 | 3,976 | 7,541 | 5,000 | 157-187 ** |
| All Wheat | | | | | | | | | | | |
| 1998-1999 | 10,678 | 2.26 | 24,082 | 80 | 30,171 | 14,723 | 2,864 | 4,152 | 8,013 | 7,435 | |
| 1999-2000 | 10,367 | 2.59 | 26,900 | 14 | 34,349 | 18,312 | 2,938 | 4,635 | 8,643 | 7,395 | |
| 2000-2001f | 10,894 | 2.36 | 25,717 | 20 | 33,132 | 17,100 | 2,955 | 4,671 | 8,731 | 7,301 | |
| Barley | | | | | | | | | | | |
| 1998-1999 | 4,272 | 2.98 | 12,709 | 55 | 15,223 | 1,696 | 376 | 10,033 | 10,790 | 2,737 | 117 |
| 1999-2000 | 4,069 | 3.24 | 13,196 | 33 | 15,966 | 2,367 | 311 | 9,775 | 10,528 | 3,071 | 110 |
| 2000-2001f | 4,545 | 2.95 | 13,388 | 30 | 16,489 | 2,900 | 360 | 9,924 | 10,689 | 2,900 | 95-125 |
| Corn | | | | | | | | | | | |
| 1998-1999 | 1,118 | 8.01 | 8,952 | 893 | 10,737 | 827 | 1,845 | 7,149 | 9,025 | 885 | 110 |
| 1999-2000 | 1,141 | 8.03 | 9,161 | 1,021 | 11,067 | 240 | 2,020 | 7,225 | 9,276 | 1,552 | 107 |
| 2000-2001f | 1,145 | 6.91 | 7,910 | 1,000 | 10,461 | 250 | 2,100 | 7,230 | 9,361 | 850 | 95-125 |
| Oats | | | | | | | | | | | |
| 1998-1999 | 1,592 | 2.49 | 3,958 | 3 | 4,807 | 1,517 | 201 | 1,815 | 2,202 | 1,088 | 132 |
| 1999-2000 | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,569 | 167 | 1,779 | 2,108 | 1,057 | 128 |
| 2000-2001f | 1,325 | 2.55 | 3,384 | 3 | 4,444 | 1,500 | 175 | 1,699 | 2,044 | 900 | 110-140 |
| Rye | | | | | | | | | | | |
| 1998-1999 | 204 | 1.96 | 398 | 0 | 462 | 80 | 57 | 139 | 215 | 166 | |
| 1999-2000 | 169 | 2.29 | 387 | 4 | 557 | 86 | 68 | 222 | 309 | 162 | |
| 2000-2001f | 117 | 2.23 | 260 | 1 | 423 | 80 | 75 | 147 | 243 | 100 | |
| Mixed Grains | | | | | | | | | | | |
| 1998-1999 | 198 | 2.77 | 548 | 0 | 548 | 0 | 0 | 548 | 548 | 0 | |
| 1999-2000 | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001f | 135 | 2.86 | 385 | 0 | 385 | 0 | 0 | 385 | 385 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1998-1999 | 7,384 | 3.60 | 26,565 | 952 | 31,777 | 4,120 | 2,478 | 19,683 | 22,781 | 4,876 | |
| 1999-2000 | 6,930 | 3.87 | 26,832 | 1,062 | 32,770 | 4,261 | 2,566 | 19,449 | 22,668 | 5,842 | |
| 2000-2001f | 7,266 | 3.49 | 25,326 | 1,034 | 32,202 | 4,730 | 2,710 | 19,385 | 22,722 | 4,750 | |
| Canola | | | | | | | | | | | |
| 1998-1999 | 5,421 | 1.41 | 7,643 | 157 | 8,163 | 3,900 | 3,063 | 382 | 3,631 | 633 | 373 |
| 1999-2000 | 5,564 | 1.58 | 8,798 | 124 | 9,556 | 3,892 | 2,983 | 575 | 3,597 | 2,066 | 288 |
| 2000-2001f | 4,854 | 1.43 | 6,927 | 150 | 9,143 | 4,000 | 3,100 | 503 | 3,643 | 1,500 | 250-290 |
| Flaxseed | | | | | | | | | | | |
| 1998-1999 | 874 | 1.24 | 1,081 | 6 | 1,127 | 727 | N/A | N/A | 249 | 151 | 313 |
| 1999-2000 | 777 | 1.32 | 1,022 | 2 | 1,175 | 568 | N/A | N/A | 226 | 381 | 237 |
| 2000-2001f | 579 | 1.22 | 707 | 3 | 1,091 | 650 | N/A | N/A | 216 | 225 | 215-255 |
| Soybeans | | | | | | | | | | | |
| 1998-1999 | 980 | 2.79 | 2,737 | 254 | 3,179 | 868 | 1,576 | 396 | 2,069 | 242 | 266 |
| 1999-2000 | 1,004 | 2.77 | 2,781 | 455 | 3,478 | 950 | 1,712 | 487 | 2,271 | 257 | 256 |
| 2000-2001f | 1,044 | 2.60 | 2,713 | 550 | 3,521 | 1,000 | 1,800 | 451 | 2,321 | 200 | 240-280 |
| Total Oilseeds | | | | | | | | | | | |
| 1998-1999 | 7,275 | 1.58 | 11,461 | 417 | 12,469 | 5,496 | 4,639 | 778 | 5,948 | 1,026 | |
| 1999-2000 | 7,345 | 1.72 | 12,602 | 581 | 14,208 | 5,410 | 4,695 | 1,062 | 6,094 | 2,704 | |
| 2000-2001f | 6,477 | 1.60 | 10,348 | 703 | 13,755 | 5,650 | 4,900 | 954 | 6,180 | 1,925 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1998-1999 | 25,336 | 2.45 | 62,108 | 1,448 | 74,417 | 24,339 | 9,980 | 24,612 | 36,742 | 13,337 | |
| 1999-2000 | 24,642 | 2.69 | 66,334 | 1,657 | 81,328 | 27,982 | 10,200 | 25,145 | 37,404 | 15,941 | |
| 2000-2001f | 24,636 | 2.49 | 61,391 | 1,757 | 79,089 | 27,480 | 10,565 | 25,010 | 37,633 | 13,976 | |

(a) Aug.-July crop year except corn and soybeans which are Sept. - Aug.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver); Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (No. 3 CW, WCE cash Track Minneapolis); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB Pool Return Outlook (PRO): September, 2000.

** - CWB PRO: September 2000, for No.1 CWRS and No.1 CWAD with 11.5% protein. This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f - Agriculture and Agri-Food Canada forecast October 2000.

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

CANADA: SPECIAL CROPS SITUATION AND OUTLOOK FOR 2000-2001 October 17, 2000

Total Canadian special crop production is forecast to increase by 23% to 5.0 million tonnes (Mt), due to higher harvested area, based on Statistics Canada's (STC) September estimates for dry peas, lentils, mustard seed and canary seed, and Agriculture and Agri-Food Canada's forecast for other special crops. Higher production of dry peas, lentils, chick peas, canary seed and buckwheat, has more than offset lower production of dry beans, mustard seed and sunflower seed.

The Canadian special crops harvest is nearly complete except for sunflower seed, which is about 30% complete. Yields for special crops were average but, in general, lower than in 1999-00. The quality of the special crops is generally average.

Due to higher supply, exports are forecast to increase by 22% to 3.2 Mt in 2000-01. Despite higher exports and domestic use, carryout stocks are expected to increase significantly. Average prices for dry beans and sunflower seed are expected to increase, while average prices for dry peas, lentils, chick peas, mustard seed and buckwheat are expected to be lower. The average price of canary seed is expected to be similar to 1999-00.

DRY PEAS

Canadian production is estimated to increase by 26% due to a major increase in harvested area. Yields have decreased from 1999-00. Most of the increase in production was for the yellow type, with smaller increases for the green and other types. Total supply is estimated to rise by 23%. Exports are forecast to increase by 21% because of lower supplies in countries other than Canada. Domestic use is forecast to be 12% higher, mainly because of the expected increased use for feeding hogs. Carry-out stocks are forecast to increase, with a moderate stocks-to-use (s/u) ratio of 23%. World total supply is expected to be about 12.8 Mt. The average price over all types, grades and markets is forecast to decrease by 5-10%, due to increased Canadian supply.

LENTILS

Canadian production is estimated to rise by 38% due to a major increase in harvested area. Yields have decreased from 1999-00. Increased production is estimated for all types. Total supply is forecast to increase by 36%. Exports are expected to increase by 25% because of strong world demand and because Canada's share of world total supply is expected to increase to 30% from 25% in 1999-00. Carry-out stocks are forecast to increase, with a moderate s/u ratio of 25%. World total supply is forecast to increase by 10% to about 3.6 Mt. The average price over all types and grades is forecast to fall by about 15%, because of pressure from higher Canadian and world total supply.

DRY BEANS

Canadian production is forecast to decrease slightly. Lower yields offset higher harvested area. White pea bean production is forecast to decrease by 15% to 120,000 tonnes (t), while coloured bean production increases by 10% to 165,000 t. Total supply is expected to decrease slightly, as higher carry-in stocks are offset by lower imports. Exports are forecast to increase by 5% due to less competition from the US. Carry-out stocks and the s/u ratio are expected to decrease to a low level. US production is forecast to fall by 25% to 1.11 Mt because of lower harvested area and lower yields, but the total supply is not expected to drop as much because of higher

carry-in stocks. World total supply is expected to decrease slightly to about 19.8 Mt. The lower US and Canadian total supply is expected to support prices. The average price, over all types and grades, is forecast to increase slightly.

CHICK PEAS

Canadian production and total supply are forecast to increase by 83% and 81% respectively due to a near doubling of the harvested area, which is partly offset by lower yields. About 50% of the production is expected to be of the kabuli type and 50% of the desi type. Exports are forecast to triple as Canada's share of world production increases, although Canada accounts for less than 4% of total world production. Canadian exports are mainly to Asia, the Middle East and Europe, with smaller volumes exported to Latin America and the US. Carry-out stocks are forecast to increase, with a moderate s/u ratio of 17%. Total world supply is forecast to increase by 5% to about 10.2 Mt, because of higher production and carry-in stocks. The average price over both types and all sizes and grades is forecast to decrease by 5-10%.

MUSTARD SEED

Canadian production is estimated to decrease by 28%, because of lower harvested area and lower yields. A decrease in production is estimated for all three types, yellow, brown and oriental. However, total supply is expected to decrease by only 6% due to higher carry-in stocks. Exports are expected to increase slightly, in line with slightly higher world demand. Carry-out stocks are forecast to decrease, but the s/u ratio is forecast to remain high at 39%. Since Canada is the dominant world exporter of mustard seed, the high carry-out stocks are expected to continue pressuring prices. Therefore, the average price, over all types and grades, is forecast to decrease slightly.

CANARY SEED

Canadian production is estimated to increase by 16%, due to higher harvested area, which is partly offset by lower yields. However, total supply is forecast to increase only slightly due to lower carry-in stocks. Exports are expected to remain stable, in line with stable

world demand. Carry-out stocks are forecast to remain high, with a s/u ratio of 43%. Since Canada dominates world canary seed production, the high carry-out stocks are expected to continue pressuring prices, which are forecast to be similar to 1999-00.

SUNFLOWER SEED

Canadian production is forecast to decrease by 10%, because of lower harvested area, which is partly offset by higher yields. There was a shift to increased production of confectionary sunflowers from the oilseed type, with confectionary sunflowers increasing by 20% to about 82,000 t and the oilseed type decreasing by 50% to about 28,000 t. Total supply is forecast to increase by 15% because of higher carry-in stocks. Exports and domestic use are forecast to increase significantly because of lower production in the US and the growth of the domestic processing industry. Carry-out stocks are forecast to decrease, with a moderate s/u ratio of 22%. US sunflower seed production is forecast to decrease by 15% to 1.68 Mt, with approximately a 10% decrease for the oilseed type and a 30% decrease for the confectionary type. Total world supply is forecast to decrease by 9% to about 25.2 Mt. The decrease in world supply is expected to provide some support for oilseed sunflower prices and the decrease in US confectionary sunflower seed production is expected to provide support for confectionary sunflower seed prices. Therefore, the average price, over both types, is forecast to increase by about 10%.

BUCKWHEAT

Canadian production is forecast to increase by 23% due to higher harvested area and yields. Exports are forecast to increase, in line with the higher production. The average price is forecast to decrease slightly, in line with a slightly higher world supply of 2.8 Mt.

FURTHER INFORMATION:

Stan Skrypetz..... (204) 983-8972
E-mail.....skrypetzs@em.agr.ca
Fred Oleson, Chief.....(204) 983-0807
E-mail.....olesonf@em.agr.ca

CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS (c)

OCTOBER 17, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1996-1997 | 520 | 2.25 | 1,169 | 8 | 1,507 | 856 | 436 | 215 | 209 |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,974 | 1,116 | 523 | 335 | 177 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 132 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,400 | 839 | 400 | 135 |
| 2000-2001f | 1,236 | 2.29 | 2,833 | 10 | 3,243 | 1,700 | 943 | 600 | 110-140 |
| Lentils | | | | | | | | | |
| 1996-1997 | 304 | 1.33 | 403 | 4 | 534 | 286 | 108 | 140 | 470 |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 523 | 349 | 109 | 65 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 520 | 194 | 80 | 380 |
| 2000-2001f | 733 | 1.36 | 998 | 5 | 1,083 | 650 | 213 | 220 | 310-340 |
| Dry Beans | | | | | | | | | |
| 1996-1997 | 84 | 1.58 | 133 | 26 | 179 | 124 | 45 | 10 | 605 |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 259 | 61 | 40 | 505 |
| 2000-2001f | 168 | 1.70 | 285 | 25 | 350 | 270 | 65 | 15 | 505-535 |
| Chick Peas | | | | | | | | | |
| 1996-1997 | 3 | 1.33 | 4 | 4 | 8 | 1 | 7 | 0 | n/a |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 65 | 127 | 15 | 390 |
| 2000-2001f | 275 | 1.31 | 360 | 0 | 375 | 190 | 130 | 55 | 345-375 |
| Mustard Seed | | | | | | | | | |
| 1996-1997 | 233 | .99 | 231 | 1 | 244 | 141 | 65 | 38 | 363 |
| 1997-1998 | 292 | .83 | 243 | 2 | 283 | 166 | 69 | 48 | 398 |
| 1998-1999 | 279 | .86 | 239 | 1 | 288 | 162 | 76 | 50 | 348 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 165 | 77 | 115 | 285 |
| 2000-2001f | 204 | 1.08 | 220 | 1 | 336 | 170 | 71 | 95 | 265-295 |
| Canary Seed | | | | | | | | | |
| 1996-1997 | 235 | 1.21 | 285 | 0 | 299 | 122 | 47 | 130 | 300 |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 245 | 134 | 47 | 64 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 155 | 31 | 90 | 240 |
| 2000-2001f | 171 | 1.13 | 193 | 0 | 283 | 155 | 43 | 85 | 225-255 |
| Sunflower Seed | | | | | | | | | |
| 1996-1997 | 35 | 1.57 | 55 | 12 | 74 | 24 | 39 | 11 | 345 |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 88 | 45 | 40 | 3 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001f | 70 | 1.57 | 110 | 15 | 166 | 55 | 81 | 30 | 310-340 |
| Buckwheat | | | | | | | | | |
| 1996-1997 | 17 | 1.30 | 22 | 1 | 25 | 12 | 11 | 2 | 320 |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001f | 14 | 1.14 | 16 | 1 | 18 | 9 | 8 | 1 | 280-310 |
| Total Special Crops | | | | | | | | | |
| 1996-1997 | 1,431 | 1.61 | 2,302 | 56 | 2,870 | 1,566 | 758 | 546 | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 54 | 3,343 | 1,949 | 862 | 532 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,299 | 2,634 | 1,034 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,621 | 1,391 | 782 | |
| 2000-2001f | 2,871 | 1.75 | 5,015 | 57 | 5,854 | 3,199 | 1,554 | 1,101 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

Source: Statistics Canada and industry consultations.

f - Agriculture and Agri-Food Canada forecast, October 17, 2000.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday September 25, 2000

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| Vancouver | This week | FOB | (1) 137.66 | N/A | 133.16 | (3) 142.00 | | 323.00 | (7) 174.88 | 113.00 | 340.00 | (4) 710.00 | 370.00 | | | | 400.00 |
| B.C. | Week ago | | (1) 139.66 | N/A | 133.16 | (3) 140.00 | | 317.50 | (7) 175.40 | 113.00 | 335.00 | (4) 710.00 | 370.00 | | | | 380.00 |
| Calgary | This week | FOB | (1) 114.50 | 105.00 | 110.00 | (3) 136.00 | | 324.00 | 179.00 | | 300.00 | (4) 760.00 | 470.00 | | | | 410.00 |
| Alta | Week ago | | (1) 116.50 | 105.00 | 110.00 | (3) 136.00 | | 311.50 | 179.00 | | 295.00 | (4) 760.00 | 470.00 | | | | 390.00 |
| Saskatoon | This week | FOB | (1) 110.50 | 99.00 | 89.00 | (3) 124.00 | | 313.00 | 173.00 | | 300.00 | (4) N/A | 470.00 | | 120.00 | | 415.00 |
| Sask. | Week ago | | (1) 110.50 | 99.00 | 89.00 | (3) 124.00 | | 300.50 | 168.00 | | 295.00 | (4) N/A | 470.00 | | 121.67 | | 405.00 |
| Melfort | This week | FOB | (1) 110.80 | 89.95 | 92.50 | | | | | | | | | | | | |
| Sask. | Week ago | | 115.50 | 89.85 | 92.60 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | (1) 98.05 | 92.97 | 91.45 | (3) 110.00 | | 298.50 | 173.00 | | 305.00 | (4) 712.50 | 420.00 | | | | |
| Man. | Week ago | | (1) 98.05 | 92.97 | 91.45 | (3) 110.00 | | 286.50 | 168.00 | | 305.00 | (4) 712.50 | 420.00 | | | | 360.00 |
| Thunder Bay | This week | Track | (1) 122.80 | 107.55 | 107.50 | | | | | | | | | | | | 340.00 |
| Ont. | Week ago | | (1) 127.50 | 107.55 | 107.60 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | (3) 110.89 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | (3) 107.96 | | | | | | | | | | | |
| Bay Ports | This week | In-store | (1) 140.30 | 165.00 | 128.90 | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 145.50 | 156.00 | 127.30 | | | | | | | | | | | | |
| Chatham | This week | Track | | | | (2) 111.81 | | | | | | | | | | | |
| Ont. | Week ago | | | | | (2) 109.34 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 312.33 | (5) N/A | 425.00 | 435.00 | 106.00 | 185.00 | 360.00 |
| Ont. | Week ago | | | | | | | | | | 309.00 | (5) N/A | 425.00 | 415.00 | 103.00 | 185.00 | 355.00 |
| Hamilton | This week | N/A | | | | | FOB | 316.36 | 188.49 | | | | | | | | |
| Ont. | Week ago | | | | | | | 303.02 | 174.05 | | | | | | | | |
| Eastern | This week | FOB | | | | (2) 116.93 | | | | | | | | | | | |
| Ontario | Week ago | | | | | (2) 116.20 | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | | | | | | | | | | | |
| Que. | Week ago | | | | | | | | | | | | | | | | |
| Trois-Riv. | This week | In-store | (1) 144.00 | | 136.50 | (2) 129.52 | | 338.58 | 198.81 | 84.50 | 309.00 | (5) 610.00 | 265.00 | 435.00 | 108.00 | 216.00 | 380.00 |
| Que. | Week ago | | (1) 148.70 | | 136.60 | (2) 127.06 | | 327.75 | 193.51 | 84.50 | 309.00 | (5) 610.00 | 265.00 | 415.00 | 105.00 | 215.00 | 370.00 |
| St-Jean, Que. | This week | FOB | (1) 139.63 | 101.67 | 123.17 | (2) 129.52 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | (1) 142.03 | 101.67 | 122.73 | (2) 127.45 | | | | | | | | | | | |
| Quebec | This week | In-store | (1) 144.17 | | 134.50 | (2) 130.57 | FOB | 338.77 | | | | | | | | | |
| Que. | Week ago | | (1) 149.20 | | 134.60 | (2) 128.37 | | 322.50 | | | | | | | | | |
| Truro | This week | Track | (1) 175.79 | 193.04 | 161.78 | (2) 157.14 | FOB | 350.15 | 216.17 | | | | | | | | |
| N.S. | Week ago | | (1) 177.19 | 193.04 | 161.88 | (2) 157.99 | | 345.41 | 217.49 | | | | | | | | 402.50 |
| Truro | This week | Water | (1) 169.45 | N/A | 161.30 | 152.10 | | | | | | | | | | | 397.50 |
| N.S. | Week ago | & Truck | (1) 176.15 | N/A | 164.30 | 155.50 | | | | | | | | | | | |
| Halifax | This week | In-store | (1) 162.35 | N/A | 154.30 | 145.10 | FOB | | | 276.00 | | (5) 561.75 | | | | | |
| N.S. | Week ago | | 162.50 | N/A | 149.65 | 141.40 | | | | 276.00 | | (5) 561.75 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard. Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.4903 as of September 22, 2000

Footnotes: All prices in Canadian dollars, per metric tonne. Grain grades, are Western or Eastern Feed Wheat. No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified.

Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWR5 (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

| B. CASH PRICES AND REPLACEMENT VALUES | | | | As of Monday September 25, 2000 | | | | |
|---------------------------------------|--|--------------------------|--------|---------------------------------|----------|----|-----------|----------|
| PRAIRIE GRAINS | | | | | | | | |
| SELECTED POINT | | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay | | Track | WHEAT | 122.80 | 127.50 | | 127.10 | 129.10 |
| | | | OATS | 107.55 | 107.55 | | N/A | N/A |
| | | | BARLEY | 107.50 | 107.60 | | 104.00 | 111.40 |
| To: Bayports, Ont. | | In-store | WHEAT | 145.90 | 150.60 | 1. | 150.20 | 150.66 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 134.65 | 134.75 | 1. | 131.15 | 138.15 |
| Montreal, Que. | | In-store | WHEAT | 150.65 | 155.35 | 1. | 154.95 | 155.73 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 139.77 | 139.87 | 1. | 136.27 | 143.20 |
| Moncton, N.B | | Truck via Halifax | WHEAT | 173.12 | 177.82 | | 177.42 | 176.98 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 166.13 | 166.23 | | 162.63 | 164.73 |
| Truro, N.S. | | Truck via Halifax | WHEAT | 170.62 | 175.32 | | 174.92 | 174.48 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 161.25 | 161.35 | | 157.75 | 162.23 |
| Halifax, N.S. | | In-store | WHEAT | 157.95 | 162.65 | 1. | 162.25 | 164.29 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 147.57 | 147.67 | 1. | 144.07 | 151.24 |
| Stephenville, Nfld. | | Track / Truck via Sydney | WHEAT | 217.73 | 222.43 | | 222.03 | 224.03 |
| | | | OATS | 213.75 | 213.75 | | N/A | N/A |
| | | | BARLEY | 214.64 | 214.74 | | 211.14 | 214.07 |
| From: Melfort, Sask. | | FOB | WHEAT | 110.80 | 115.50 | | 116.10 | 115.10 |
| | | | OATS | 89.85 | 89.85 | | 84.93 | 100.50 |
| | | | BARLEY | 92.50 | 92.60 | | 91.00 | 98.40 |
| To: Bayports, Ont. | | Track | WHEAT | 166.92 | 171.62 | | 172.22 | 171.20 |
| | | | OATS | 148.72 | 148.72 | | 143.80 | 165.87 |
| | | | BARLEY | 145.89 | 145.99 | | 144.39 | 155.20 |
| Montreal, Que. | | Track | WHEAT | 167.67 | 172.37 | | 172.97 | 171.96 |
| | | | OATS | 149.62 | 149.62 | | 144.70 | 166.77 |
| | | | BARLEY | 146.71 | 146.81 | | 145.21 | 156.02 |
| Moncton, N.B. | | Track | WHEAT | 188.85 | 193.55 | | 194.15 | 193.13 |
| | | | OATS | 172.96 | 172.96 | | 168.04 | 189.84 |
| | | | BARLEY | 158.82 | 158.92 | | 157.32 | 177.58 |
| Truro, N.S. | | Track | WHEAT | 189.02 | 193.72 | | 194.32 | 193.30 |
| | | | OATS | 173.93 | 173.93 | | 169.01 | 193.28 |
| | | | BARLEY | 172.44 | 172.54 | | 170.94 | 178.59 |
| Stephenville, Nfld | | Track / Truck via Sydney | WHEAT | 232.36 | 237.06 | | 237.66 | 236.63 |
| | | | OATS | 221.31 | 221.31 | | 216.39 | 238.19 |
| | | | BARLEY | 220.73 | 220.83 | | 219.23 | 226.89 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|------------------------|--|---------------|---------------|----|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 110.89 | 107.96 | | 100.10 | 113.56 |
| To: Montreal, Que. (US Corn) | In-store | | 129.79 | 126.86 | 1. | N/A | 131.56 |
| From: Saginaw (MI) | Track | | 97.98 | 93.93 | | 89.59 | 108.92 |
| To: Montreal, Que. (US Corn) | Track | | 125.52 | 121.47 | | 117.13 | 141.22 |
| From: Chatham | Track | | 111.81 | 109.34 | | N/A | 116.43 |
| To: Montreal, Que. | Track | | 134.70 | 132.23 | | 128.99 | 140.98 |

| | | | | | | | |
|-----------------------------|--------------------------|--|---------------|---------------|--|---------------|---------------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 316.36 | 303.02 | | 287.70 | 245.48 |
| To: Montreal, Que. | Track | | 338.83 | 325.49 | | 310.17 | 269.15 |
| Moncton, N.B. | Track | | 356.14 | 342.80 | | 327.48 | 286.50 |
| Truro, N.S. | Track | | 359.11 | 345.77 | | 330.45 | 289.64 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 408.37 | 395.03 | | 379.71 | 336.94 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL- FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|-------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| | | | | | | | | | | | | | | | | | |
| Vancouver B.C. | This week | FOB | (1) 136.66 | N/A | 133.16 | (3) 148.75 | | 324.50 | (7) 171.88 | 113.00 | 345.00 | (4) 710.00 | 370.00 | | | | 410.00 |
| Calgary Alta | This week | FOB | (1) 137.66 | N/A | 133.16 | (3) 146.00 | | 327.00 | (7) 174.23 | 113.00 | 345.00 | (4) 710.00 | 370.00 | | | | 410.00 |
| Saskatoon Sask. | This week | FOB | (1) 113.50 | 105.00 | 110.00 | (3) 139.00 | | 317.00 | 179.00 | | 305.00 | (4) 760.00 | 470.00 | | | | 430.00 |
| Melfort Sask. | This week | FOB | (1) 114.50 | 105.00 | 110.00 | (3) 137.00 | | 322.00 | 179.00 | | 305.00 | (4) 760.00 | 470.00 | | | | 420.00 |
| Winnipeg Man. | This week | FOB | (1) 109.50 | 97.50 | 93.00 | (3) 126.00 | | 306.00 | 173.00 | | 305.00 | (4) N/A | 470.00 | | 126.67 | | 435.00 |
| Thunder Bay Ont. | This week | FOB | (1) 108.00 | 96.00 | 92.00 | (3) 126.00 | | 311.00 | 173.00 | | 305.00 | (4) N/A | 470.00 | | 123.67 | | 425.00 |
| Lake Ports USA | This week | On Board | (1) 110.50 | 89.85 | 100.50 | | | | | | | | | | | | |
| Bay Ports Ont. | This week | Vessel | 108.80 | 89.85 | 97.90 | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | (1) 93.35 | 92.74 | 91.85 | (3) 111.00 | | 293.50 | 173.00 | | 315.00 | (4) 712.50 | 420.00 | | | | 360.00 |
| Toronto Ont. | This week | N/A | (1) 93.35 | 92.74 | 91.85 | (3) 110.00 | | 296.00 | 173.00 | | 315.00 | (4) 712.50 | 420.00 | | | | 360.00 |
| Hamilton Ont. | This week | N/A | (1) 123.50 | 110.66 | 110.50 | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | (1) 121.80 | 110.66 | 107.90 | (3) 111.98 | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | (2) 114.76 | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | (2) 113.28 | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | |
| Montreal Que. | This week | FOB | | | | | | | | | | | | | | | |
| Trois-Riv. Que. | This week | In-store | (1) 148.30 | | 139.50 | (2) 132.47 | | 326.87 | 183.92 | 80.75 | 320.00 | (5) 610.00 | 270.00 | 216.00 | 216.00 | | 400.00 |
| St-Jean, Que. | This week | FOB | (1) 141.00 | | 135.50 | (2) 131.00 | | 336.05 | 189.81 | 88.67 | 314.00 | (5) 610.00 | 270.00 | 216.00 | 216.00 | | 390.00 |
| St-Hyacinthe, Que. | This week | FOB | (1) 144.78 | 101.67 | 123.67 | (2) 131.69 | | | | | | | | | | | |
| Quebec Que. | This week | In-store | (1) 137.38 | 101.67 | 122.50 | (2) 130.21 | | | | | | | | | | | |
| Truro N.S. | This week | Track | (1) 148.37 | | 138.00 | (2) 134.44 | | 330.47 | | | | | | | | | |
| N.S. | This week | Water | (1) 142.93 | | 134.70 | (2) 132.05 | | 333.96 | | | | | | | | | |
| Truro N.S. | This week | Water | (1) 179.11 | 193.04 | 160.28 | (2) 162.84 | | 349.82 | 214.67 | | 355.50 | | 360.00 | | | | 427.50 |
| N.S. | This week | Water | (1) 172.96 | 193.04 | 160.44 | (2) 159.77 | | 356.10 | 216.94 | | 350.00 | | 360.00 | | | | 412.50 |
| Halifax N.S. | This week | In-store | (1) 172.35 | N/A | 154.20 | 154.90 | | | | | | | | | | | |
| | | | (1) 157.70 | N/A | 148.50 | 149.10 | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section;

Contact: Helene Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5010 as of October 06, 2000

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis, Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein, Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

| B. CASH PRICES AND REPLACEMENT VALUES | | | | As of Monday October 9, 2000 | | | |
|---------------------------------------|--------------------------|--------|-----------|------------------------------|----|-----------|----------|
| PRAIRIE GRAINS | | | | | | | |
| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay | Track | WHEAT | 123.50 | 121.80 | | 135.50 | 124.00 |
| | | OATS | 110.66 | 110.66 | | N/A | N/A |
| | | BARLEY | 110.50 | 107.90 | | 108.70 | 114.70 |
| To: Bayports, Ont. | In-store | WHEAT | 146.60 | 144.90 | 1. | 158.60 | 145.56 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 137.65 | 135.05 | 1. | 135.85 | 141.45 |
| Montreal, Que. | In-store | WHEAT | 151.35 | 149.65 | 1. | 163.35 | 150.63 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 142.77 | 140.17 | 1. | 140.97 | 146.50 |
| Moncton, N.B | Truck via Halifax | WHEAT | 173.82 | 172.12 | | 185.82 | 171.88 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 169.13 | 166.53 | | 167.33 | 168.03 |
| Truro, N.S. | Truck via Halifax | WHEAT | 171.32 | 169.62 | | 183.32 | 169.38 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 164.25 | 161.65 | | 162.45 | 165.53 |
| Halifax, N.S. | In-store | WHEAT | 158.65 | 156.95 | 1. | 170.65 | 159.19 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 150.57 | 147.97 | 1. | 148.77 | 154.54 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 218.43 | 216.73 | | 230.43 | 218.93 |
| | | OATS | 216.86 | 216.86 | | N/A | N/A |
| | | BARLEY | 217.64 | 215.04 | | 215.84 | 217.37 |
| From: Melfort, Sask. | FOB | WHEAT | 110.50 | 108.80 | | 118.60 | 111.50 |
| | | OATS | 89.85 | 89.85 | | 92.28 | 102.50 |
| | | BARLEY | 100.50 | 97.90 | | 93.70 | 101.70 |
| To: Bayports, Ont. | Track | WHEAT | 166.62 | 164.92 | | 174.72 | 167.60 |
| | | OATS | 148.72 | 148.72 | | 151.15 | 167.87 |
| | | BARLEY | 153.89 | 151.29 | | 147.09 | 158.50 |
| Montreal, Que. | Track | WHEAT | 167.37 | 165.67 | | 175.47 | 168.36 |
| | | OATS | 149.62 | 149.62 | | 152.05 | 168.77 |
| | | BARLEY | 154.71 | 152.11 | | 147.91 | 159.32 |
| Moncton, N.B. | Track | WHEAT | 188.55 | 186.85 | | 196.65 | 189.53 |
| | | OATS | 172.96 | 172.96 | | 175.39 | 191.84 |
| | | BARLEY | 166.82 | 164.22 | | 160.02 | 180.88 |
| Truro, N.S. | Track | WHEAT | 188.72 | 187.02 | | 196.82 | 189.70 |
| | | OATS | 173.93 | 173.93 | | 176.36 | 195.28 |
| | | BARLEY | 180.44 | 177.84 | | 173.64 | 181.89 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 232.06 | 230.36 | | 240.16 | 233.03 |
| | | OATS | 221.31 | 221.31 | | 223.74 | 240.19 |
| | | BARLEY | 228.73 | 226.13 | | 221.93 | 230.19 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 111.98 | 109.61 | | 110.82 | 106.61 |
| To: Montreal, Que. (US Corn) | In-store | | 130.88 | 128.51 | 1. | N/A | 124.61 |
| From: Saginaw (Mi) | Track | | 104.30 | 101.30 | | 93.81 | 107.19 |
| To: Montreal, Que. (US Corn) | Track | | 131.84 | 128.84 | | 121.35 | 139.49 |
| From: Chatham | Track | | 114.76 | 113.28 | | N/A | 108.95 |
| To: Montreal, Que. | Track | | 137.65 | 136.17 | | 134.89 | 133.50 |

| | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 305.23 | 316.69 | | 299.72 | 256.06 |
| To: Montreal, Que. | Track | | 327.70 | 339.16 | | 322.19 | 279.73 |
| Moncton, N.B. | Track | | 345.01 | 356.47 | | 339.50 | 297.08 |
| Truro, N.S. | Track | | 347.98 | 359.44 | | 342.47 | 300.22 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 397.24 | 408.70 | | 391.73 | 347.52 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Québec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

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Publications

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Vol. 13 No. 17

WHEAT: SITUATION AND OUTLOOK

World wheat supplies for 2000-2001 are expected to decrease significantly while consumption increases marginally. Although world carry-out stocks are forecast to fall sharply, carry-out stocks in the major exporting countries (the United States [U.S.], European Union [EU], Canada, Australia, and Argentina) are forecast to remain high. Prices are expected to continue to be pressured, but should average higher than in 1999-2000. In Canada, a reduction in non-durum wheat production will result in reduced supplies and lower exports in 2000-2001. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for wheat for 2000-2001. "Wheat" refers to all wheat including durum, unless otherwise specified.

WORLD

World wheat **supplies** are estimated by the United States Department of Agriculture (USDA) to decrease by about 14 million tonnes (Mt) from 1999-2000, to 708 Mt for 2000-2001, due to lower carry-in stocks and production.

Carry-in stocks are estimated at 128 Mt, about 8 Mt below 1999-2000.

Production is estimated at 580 Mt, about 6 Mt below 1999-2000, and the lowest since 1995-1996. **Consumption**

is projected to continue to increase, with human food use rising to a record 494 Mt, while feed use of wheat is expected to decrease slightly, to 103 Mt. World **carry-out stocks** are expected to decline sharply, to 111 Mt, with the stock-to-use (S/U) ratio falling under 19%, the lowest recorded in the last 30 years. Wheat **trade** is expected to be about 3 Mt above the 5-year average, due to continuing large imports into North Africa and the Middle East, because of drought in these regions.

The United States

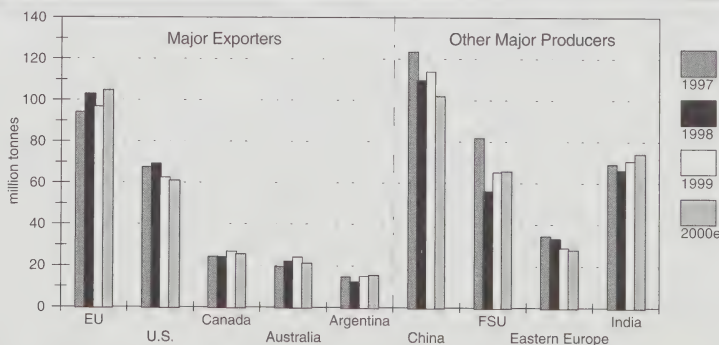
Since 1996, area seeded to wheat in the U.S. has decreased, largely due to the planting flexibility introduced by the *Federal Agricultural Improvement and Reform (FAIR) Act*, resulting in a shift of area into alternate crops such as soybeans and canola. However, due to

above average yields, from 1996-1997 to 1999-2000, production exceeded disposition, and carry-out stocks increased steadily, reaching 950 million bushels (mln bu) in 1999-2000, two and a half times those of 1995-1996, and the highest since 1987-1988. The S/U ratio rose to a burdensome 40%, compared to 19% recorded at the end of 1996-1997. Prices steadily declined, as the burdensome stocks loomed over the market, and the average U.S. farm price fell to US\$2.48 per bushel (/bu), the lowest since 1986-1987.

Both seeded and harvested **area** for 2000-2001 were relatively unchanged from 1999-2000. Hard red winter (HRW) wheat yields fell sharply from the higher than

normal level of 1999-2000, due to dryness over the fall and winter, but improved yields in all other wheat classes resulted in a reduction in all wheat **production** by only 3% from 1999-2000, to 2.24 billion bushels (bln bu). Reduced export competition from other exporters, such as Canada, is expected to increase U.S. **exports** by 3%, to 1.13 bln bu. **Domestic use** is expected to decline by about 2%, due to lower feed use. **Carry-out stocks** are forecast to remain high at 888 mln bu, about 7% below 1999-2000, with a S/U ratio of 37%. The average U.S. farm price is forecast by USDA at US\$2.35-2.75/bu, with the midpoint up by US\$0.07/bu from 1999-2000.

WHEAT PRODUCTION: MAJOR PRODUCERS

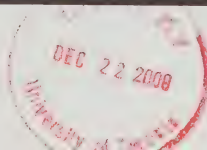


e: estimates, USDA October 2000, except Canada which is Statistics Canada September 2000
Source: USDA, Statistics Canada



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada



Canada

The U.S. has not used the Export Enhancement Program (EEP) since 1995, despite falling prices and pressure from farm groups to reactivate EEP to support farm incomes. Instead, the USDA has stated its intention to continue to make use of credit and food aid programs such as the U.S. Export Credit Guarantee Program (GSM)-102 and Public Law (PL)-480 to stimulate increased exports, and to use Loan Deficiency Payments (LDP) to support farm income. As of October 27, 2000, about 1.57 bln bu of the 2000 wheat crop had received a LDP, averaging US\$0.44/bu, versus US\$0.47/bu for all of 1999-2000.

The European Union

For 2000-2001, EU wheat **supplies** have increased to a record level, but carry-out stocks are expected to decline slightly due to higher domestic feed use. The Common Agriculture Policy (CAP) area set-aside remained at 5%, but wheat area rose by 3% due to a shift out of barley and oilseeds, and **production** increased by 8 Mt to a record 105 Mt. The **quality** of the 2000-2001 crop is reported to be poor, however, due to excessive rain during harvest in France and southern Germany. This has resulted in sprouting, which lowers the "falling number" of the wheat, rendering much of the crop unsuitable for bread making.

Concern about the availability of sufficient supplies of milling quality wheat in the EU has limited export awards.

Exports are projected by USDA to remain the same as 1999-2000 at 16 Mt. However, this forecast is unlikely to be attained, given that to October 24, 2000, exports of wheat (including flour) were only 4.1 Mt, 18% below the 1999-2000 pace. **Domestic consumption** is expected to continue to rise, largely due to increased feed use, and is forecast to reach a record 93 Mt. **Carry-out** stocks are forecast to decrease slightly to 14.7 Mt, with a S/U ratio of 13.4%.

Regarding **export subsidies**, the World Trade Organization (WTO) limit for the EU for 2000-2001 is 14.4 Mt. This

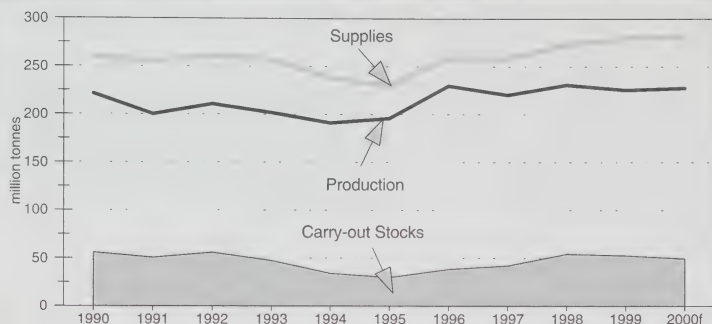
WHEAT: SUPPLY AND DISPOSITION

| | WORLD (July-June) | | | UNITED STATES (June-May) | | | EUROPEAN UNION (July-June) | | |
|------------------|--------------------------|---------------|---------------|----------------------------------|---------------|---------------|-------------------------------|---------------|---------------|
| | 1998 -1999 | 1999 -2000 | 2000 2001f | 1998 -1999 | 1999 -2000 | 2000 2001f | 1998 -1999 | 1999 -2000 | 2000 2001f |
| |million tonnes..... | | | | | | | | |
| Carry-In Stocks | 138.73 | 136.35 | 128.16 | 19.66 | 25.74 | 25.85 | 14.50 | 18.02 | 15.03 |
| Production | 588.39 | 585.93 | 579.91 | 69.33 | 62.57 | 60.94 | 103.09 | 96.89 | 104.60 |
| Imports | - | - | - | 2.88 | 2.54 | 2.60 | 3.76 | 3.80 | 4.20 |
| Supply | 727.12 | 722.28 | 708.07 | 91.87 | 90.85 | 89.39 | 121.35 | 118.71 | 123.83 |
| Consumption | 590.76 | 594.13 | 596.68 | 37.68 | 35.38 | 34.73 | 88.81 | 89.15 | 92.83 |
| Exports | - | - | - | 29.03 | 29.46 | 30.50 | 14.59 | 16.00 | 16.00 |
| Demand | 590.76 | 594.13 | 596.68 | 66.71 | 64.84 | 65.23 | 103.40 | 105.15 | 108.83 |
| Carry-Out Stocks | 136.36 | 128.15 | 111.39 | 25.74 | 25.85 | 24.16 | 18.02 | 15.03 | 14.68 |
| Trade | 102.02 | 108.05 | 105.14 | | | | | | |
| | CHINA (July-June) | | | AUSTRALIA (October-September) | | | CANADA (August-July) | | |
| | 1998 -1999 | 1999 -2000 | 2000 2001f | 1998 -1999 | 1999 -2000 | 2000 2001f | 1998 -1999 | 1999 -2000 | 2000 2001f |
| |million tonnes..... | | | | | | | | |
| Carry-In Stocks | 33.46 | 27.90 | 25.25 | 1.35 | 2.40 | 3.93 | 6.01 | 7.44 | 7.39 |
| Production | 109.73 | 113.88 | 102.00 | 22.11 | 24.10 | 21.00 | 24.08 | 26.90 | 25.72 |
| Imports | 0.83 | 1.01 | 2.00 | 0.06 | 0.05 | 0.05 | 0.08 | 0.01 | 0.02 |
| Supply | 144.02 | 142.79 | 129.25 | 23.52 | 26.55 | 24.98 | 30.17 | 34.35 | 33.13 |
| Consumption | 115.58 | 117.00 | 114.00 | 5.12 | 5.62 | 5.75 | 8.01 | 8.65 | 8.73 |
| Exports | 0.54 | 0.54 | 0.50 | 16.00 | 17.00 | 16.50 | 14.72 | 18.31 | 17.10 |
| Demand | 116.12 | 117.54 | 114.50 | 21.12 | 22.62 | 22.25 | 22.73 | 26.96 | 25.83 |
| Carry-Out Stocks | 27.90 | 25.25 | 14.75 | 2.40 | 3.93 | 2.73 | 7.44 | 7.39 | 7.30 |

f: forecast, USDA October 2000, except Canada which is AAFC October 17, 2000

Source: USDA (FAS), Statistics Canada

WHEAT: MAJOR EXPORTERS SUPPLY AND STOCKS



(1) US, EU, Canada, Australia, and Argentina
f: forecast, USDA October 12, 2000
Source: USDA

implies that at least a portion of wheat will be exported without subsidy. To October 26, 2000, the EU had granted only 0.9 Mt of export licenses under the weekly export tenders, with an average subsidy of €1.94 (US\$1.75) per tonne (/t), and with all awards since September 1, 2000 at zero subsidy. An additional 0.2 Mt of wheat has been exported at zero subsidy under the standing daily refund system, as well as 0.8 Mt from intervention, at prices above the intervention price. These unsubsidized exports have been possible because of the lower EU intervention price and the lower value of the euro, as well as the restriction of export awards due to concerns about domestic supplies of milling quality wheat. Under the terms of Agenda 2000, effective July 1, 2000, the intervention price was lowered to €110.25/t (US\$91/t using the October 26, 2000 exchange rate), from €119.19/t for 1999-2000. As of October 26, 2000, the €/US\$ exchange rate was 0.8273, versus 1.052 in October 1999.

The U.S. soft red winter (SRW) Gulf price, against which the value of French soft wheat is compared, averaged US\$99/t for nearby delivery in 1999-2000 (August-July crop year). It has averaged US\$100/t so far for 2000-2001, and is currently trading around

US\$105/t. Assuming that the €/US\$ exchange rate remains near current low levels, there will likely continue to be opportunities for EU grain traders to export wheat without subsidy.

With EU quality problems, imports from Canada of non-durum wheat may increase from 1999-2000. Over the past 5 years, the EU has imported an average of about 0.7 Mt of spring wheat and 0.6 Mt of durum from Canada (August-July). For 1999-2000, imports of spring wheat were 0.95 Mt, with durum a below-normal 0.22 Mt, due to the smaller and lower quality Canadian durum crop.

Australia

Production is forecast by the USDA at 21 Mt, down from the record of 24 Mt in 1999-2000, but otherwise the fourth largest Australian wheat crop, although private forecasters indicate that production may not exceed 20 Mt. Area seeded remains relatively high, however, yields are expected to be lower than the five-year average due to drought. A severe locust outbreak is also expected to threaten the crop this year, but control measures will likely minimize damage. **Exports** are forecast to decrease by 4%, to 16.5 Mt (October-September), the third highest on record.

Argentina

Production is forecast to rise by 3%, to 15.5 Mt. Area seeded increased by 1% as expected wheat prices were relatively higher than those for corn and sunflowers. **Exports** are expected to be unchanged from 1999-2000, at a record 11 Mt (December-November).

China

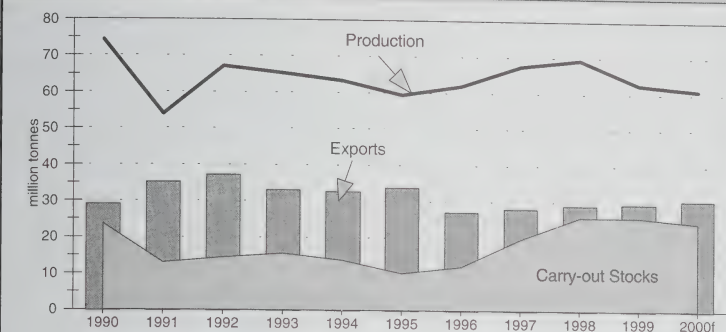
China is the world's largest wheat producer, and has been the largest wheat importer in many years. For 2000-2001, **production** is forecast to decrease by 10% from 1999-2000, to 102 Mt, due to lower area seeded, related to lower government support, particularly for spring wheat, and dry conditions in some of the major winter wheat regions. With relatively large carry-in stocks, **imports** are forecast to increase from 1.0 Mt in 1999-2000 to only 2.0 Mt, well below the 10 Mt or higher levels seen throughout the 1980s and early 1990s. For 2000-2001, imports from Canada are expected to rise to about 1.0 Mt, from 0.7 Mt in 1999-2000.

Over the longer term, increased imports will be required to match the growing wheat demand, which is now higher than the production achieved in any year except 1997-1998. Changes to China's internal price support and import control policies, in preparation for WTO membership, are also expected to increase imports of wheat.

North Africa

The North African countries of Algeria, Morocco, Tunisia, and Libya constitute the world's largest durum market, with annual imports averaging close to 3 Mt. For 2000-2001, with the second year of drought conditions in Algeria and Morocco, the International Grains Council (IGC) estimates that North African durum production has fallen to just 1.9 Mt, versus the average of 3.5 Mt, and slightly lower than during the previous severe drought in 1997-1998. Durum imports are therefore forecast by

U.S.: WHEAT SUPPLY AND DISPOSITION



f: forecast, USDA, October 2000
Source: USDA

IGC to rise by 13%, to 3.5 Mt.

Canadian durum exports to North Africa are projected by Agriculture and Agri-Food Canada (AAFC) to rise by about 10%, to 2.3 Mt.

Middle East

Most middle eastern countries, particularly Syria, Iraq, and Iran, experienced their second year of drought in 2000-2001, and wheat production in this region is estimated at only 30.9 Mt, compared to the 5-year average of 34 Mt. As a result, regional imports are expected to be similar to 1999-2000, at 17.5 Mt, well above the average of 14 Mt. The major Canadian market in this region is Iran, which purchased 3.5 Mt of Canadian wheat in 1999-2000, up from 0.5 Mt in 1998-1999, and the 5-year average of 1.2 Mt. This, however, is expected to decline in 2000-2001, despite continued strong demand from Iran, due to reduced Canadian supplies.

Canada

Production of non-durum wheat is estimated at 20 Mt, down 11% from 1999-2000 due to lower area and yields. Area harvested, mostly Canada Western Red Spring (CWRS) wheat, declined by 4% to 8.3 million hectares (mln ha), the second lowest since 1972-1973. Due to relatively stronger expected prices for durum

wheat in the spring of 2000, farmers shifted a significant area of land into durum wheat production. **Carry-in stocks** increased slightly for 2000-2001, to 5.6 Mt, and **supplies** are estimated to be 8% lower than for 1999-2000, at 25.8 Mt. **Domestic use** is forecast to decrease as lower feed use offsets higher milling and seed use. Due to lower supplies, **exports** are forecast to decrease by 10% to just 13.3 Mt, the third lowest since 1988-1989 and well below the 10-year average of 16.2 Mt. **Carry-out stocks** are projected to fall to a near-pipeline level of just 5 Mt. Ontario winter wheat production is estimated at 1.37 Mt, down by 3% from 1999-2000, due to reduced harvested area, with quality severely affected by the worst fusarium head blight outbreak since 1996.

Production of durum wheat is estimated at 5.5 Mt, 28% higher than 1999-2000, and the second highest on record. Area harvested increased to 2.6 mln ha, 46% above the lower than normal level of 1999-2000, due to the high durum price premiums received in 1999-2000, and expectations for continuing premiums for 2000-2001. **Carry-in stocks** decreased and partly offset the increase in production. **Supplies** are estimated to increase by 17%, to a record 7.3 Mt. **Exports** are projected to increase by 6%, to 3.8 Mt. Import demand from North Africa will remain strong due to drought in

that region, and depending on the quality of the Canadian crop, exports to the EU are expected to increase to normal levels. However, Canadian exports will be limited by strong competition from other exporters such as the U.S., Australia, Syria, Turkey, and Mexico.

Carry-out stocks are expected to rise by 28%, to a record 2.3 Mt. Most of the increase will be in farm-held stocks as the Canadian Wheat Board (CWB) has stated that it will likely not be able to take delivery of all durum offered in 2000-2001.

PRICE OUTLOOK: 2000-2001

For 2000-2001, wheat prices will be supported by the expected decrease in world carry-out stocks. However, world wheat prices are highly correlated with the level of stocks in the major exporting countries. Carry-out stocks in the five major exporting countries; (the U.S., EU, Canada, Australia, and Argentina) are forecast to decrease by 6%, to about 49 Mt, versus the 5-year average of 43 Mt.

Based on the historical correlation, prices would be expected to be slightly higher than in 1999-2000. AAFC forecasts that world prices, as measured by the benchmark U.S. Hard Winter Ordinary (HWO) price, free on board (FOB) Gulf ports, will increase from US\$111/t in 1999-2000 (June-May), to US\$115-120/t for 2000-2001.

U.S. Wheat Price Outlook

The major wheat futures markets are located in the U.S., and therefore the prices determined in these markets generally provide direction to world prices. These markets, although they do react to some extent to world factors, tend to trade relative to expected U.S. supply and demand factors. The prices obtained in world markets by the CWB are therefore in large part determined by U.S. crop conditions, domestic consumption and exports. The overall wheat outlook is generally for U.S. wheat prices to be slightly higher than 1999-

2000, with the average U.S. farm price forecast by USDA to rise by US\$0.07/bu, to US\$2.55/bu, since carry-out stocks, and the S/U ratio, are expected to be lower than 1999-2000. Higher prices for hard red winter (HRW) wheat are expected to offset lower prices for SRW, hard red spring (HRS), and soft white wheat.

For **HRW**, U.S. production is estimated at 844 mln bu, down 20% from 1999-2000, and the S/U ratio is forecast to decline from 45% in 1999-2000 to 36% in 2000-2001. This is expected to result in the average nearby Kansas City Board of Trade (KCBT) HRW price increasing by 6%, to US\$3.00/bu. For **SRW**, the S/U ratio is forecast to be relatively unchanged at 28%. AAFC forecasts that the average nearby SRW price on the Chicago Board of Trade will be similar to or slightly lower than the 1999-2000 average of US\$2.57/bu (June-May). This is partly due to lower feedgrain prices, resulting from the large U.S. corn crop, since a major use of SRW in the U.S. is for feed.

For **HRS**, U.S. production is forecast by USDA to increase by 14%, to 509 mln bu, the highest since 1996-1997. Carry-out stocks are forecast to increase by 11%, to 242 mln bu, with the S/U ratio rising from 42% in 1999-2000 to 44% in 2000-2001. The quality of the HRS crop is projected to be very good with the average grade expected to be No.1 HRS. Protein levels, test weights and vitreous kernel counts are projected to be slightly higher than the 1999-2000 and five-year average. As a result, the premium for HRS, on the Minneapolis Grain Exchange (MGE), over HRW, on the KCBT, is forecast by AAFC to fall to just US\$0.25/bu, from US\$0.44/bu in 1999-2000 (June-May), for an average HRS nearby price of US\$3.25/bu, unchanged from 1999-

2000. Protein premiums are also expected to soften due to increased supplies of U.S. spring wheat, and higher average protein levels in both the U.S. and Canadian crops. The MGE premium for 14% protein is projected to fall to US\$0.30/bu from US\$0.34/bu in 1999-2000, and the MGE Dark Northern Spring 14% protein (DNS 14) cash price is forecast to average US\$3.55/bu, down about US\$0.05/bu from 1999-2000.

For **durum**, U.S. production is forecast to increase by 17% from the below-normal 1999-2000 crop to 116 mln bu. As a result, carry-out stocks are forecast to rise by 8%, to 54 mln bu, with the S/U ratio similar to 1999-2000 at 38%. Quality is expected to be below 1999-2000 and the five-year average, due to rain at harvest in northern North Dakota. This will help support prices for milling quality durum. The average grade is expected to be No.3 hard amber durum (HAD), down from No.2 HAD in 1999-2000, due to lower average test weights, vitreous kernel count and falling numbers. Average protein levels are expected to be slightly higher than 1999-2000. The average nearby MGE futures price is forecast at US\$4.30/bu, unchanged from 1999-2000. World durum prices will also be impacted by the large North American crop, but strong export demand, due to the drought in North Africa, is expected to provide support, and the No.3 HAD export price FOB Gulf is also expected to remain unchanged from 1999-2000, at about US\$150/t.

Protein Premiums

Premiums for protein, and for HRS wheat in general, are expected to decrease slightly from 1999-2000. This is due to good protein levels in the U.S. HRW wheat crop, the larger U.S. spring wheat crop, and higher protein content than for 1999-2000 expected for both the U.S. and Canadian spring wheat crops.

Canadian Price Outlook

The October CWB 2000-2001 Pool Return Outlook (PRO) for No.1 CWRS with 13.5% protein is \$202/t in-store Vancouver or St. Lawrence (I/S VC/SL), up by \$11/t from the 1999-2000 PRO. The PRO for No.1 CWRS 11.5%¹ is up by \$18/t from No.1 CWRS in 1999-2000, while the PROs for No.3 CWRS and Canada Prairie Spring (CPS) red wheat are \$14/t and \$15/t higher than for 1999-2000. This is consistent with the AAFC outlook for U.S. wheat prices. The CWB generally receives prices for high protein No.1 and No.2 CWRS wheat that are competitive with U.S. prices for DNS wheat, while lower protein CWRS wheat and CPS wheat are competitive with U.S. HRW wheat. Canadian wheat prices are also being supported by the lower value of the Canadian dollar.

Based on the October PRO, the western Canadian average on-farm price for No.1 CWRS 13.5 % protein will be about \$156/t, compared to \$143/t for 1999-2000. The 2000-2001 CWB initial payment for No.1 CWRS 13.5% is \$149.60/t I/S VC/SL, \$5.30/t higher than was set on August 1, 1999 for 1999-2000. In Ontario, the 2000-2001 Ontario Wheat Producers' Marketing Board (OWPMB) November 1, 2000 Estimated Pool Return (EPR) for Canada Eastern White Winter (CEWW) wheat is \$105-115/t, terminal or processor position, versus the final realized price of \$105.78/t for 1999-2000. The OWPMB initial payment for No.1 CEWW wheat has been set at \$81/t, terminal or processor position, compared to \$83/t in 1999-2000.

For **durum**, the 2000-2001 PRO for No.1 Canada Western Amber Durum (CWAD) with 11.5% protein¹ is \$205/t I/S VC/SL, unchanged from 1999-2000. A premium of \$21/t over

¹ The 2000-2001 PRO for No.1 and 2 CWRS with 11.5% protein is compared to the 1999-2000 PRO for No.1 CWRS with no protein premium. For 2000-2001, protein payments have been extended to include all CWRS wheat with 11% protein and over, while in 1999-2000 protein payments started at 12%. Therefore the No.1 and 2 CWRS grades in 1999-2000 included wheat with protein content up to 11.9%, and the average is estimated by the CWB at about 11.5%. A similar change was made for No.1 and 2 CWAD durum grades.

No.1 CWRS 11.5% is forecast, versus \$39/t in 1999-2000. A western Canadian average on-farm price of about \$160/t for No.1 CWAD 11.5% is expected, similar to 1999-2000. The 2000-2001 initial payment for No.1 CWAD 12.5% is \$143/t, \$8/t higher than that issued on August 1, 1999.

For more information please contact:

Glenn Lennox
Wheat Analyst

Phone: (204) 983-8465

E-mail: lennoxg@em.agr.ca
or

Bobby Morgan
Market Analyst

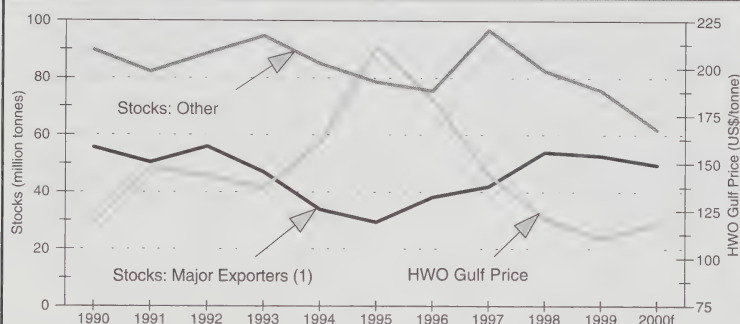
Phone: (204) 984-0680

E-mail: morganb@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

WHEAT: STOCKS VERSUS HWO GULF PRICE



(1) US, EU, Canada, Australia and Argentina
Source: USDA October 12 forecast, except HWO Gulf Price, which is an AAFC October forecast
Source: USDA

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Market Analysis Division,
Strategic Policy Branch,
Marketing Policy Directorate,
Agriculture and Agri-Food Canada,
500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524
Editor: Gordon MacMichael
E-mail: macmichaelg@em.agr.ca

Director: Maggie Liu
Chief: Fred Oleson

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NEW PRICING OPTIONS FOR CANADIAN WHEAT PRODUCERS

Canadian Wheat Board (CWB)

The CWB approved a new fixed price contract in March 2000 which allowed western Canadian wheat producers to fix a price or basis before the beginning of the crop year. The program was launched April 27, 2000 and only CWRS wheat (excluding feed) was eligible for the 2000-2001 crop year. The fixed price is calculated using the midpoint of the PRO for No.1 CWRS, 13.5% protein, 1/S VC/SL, minus a discount for risk, administration and the time value of money. For the basis contract, the basis equals the fixed price minus the Minneapolis futures price, adjusted to Canadian dollars per tonne, and the producer can lock in a price, based on the daily movement of the MGE, at any point in time prior to either delivery, or the first notice day of the expiry of the contract. Discounts or premiums for other grades are based on the initial payment spreads at time of delivery.

Due to low prices offered in the fixed price contract, and unfamiliarity with the basis contract, producer interest in this new option was limited for 2000-2001. About 4,000 farmers registered for the program, but over the four contracting periods, a total of only about 30,000 tonnes (t) were contracted. Basis contracts were the most popular, totaling about 125 contracts taken out by 110 farmers. In addition, about 85 fixed price contracts were signed by 76 farmers. The program will be offered again next year and may include contracts for different classes of wheat. The pricing basis will likely be similar to 2000-2001.

Ontario Wheat Producers' Marketing Board (OWPMB)

A detailed examination of the off-Board direct marketing option for Ontario wheat producers was presented in *Bi-weekly Bulletin Volume 12, No.21* (November 5, 1999). For 2000-2001, 150,000 t of Ontario wheat was exempt from being marketed through the Board. Producers had until October 15, 2000 to request an exemption from the OWPMB for the 2000-2001 crop year, assuming the 150,000 t limit has not been reached, specifying the quantity and type of wheat to be direct marketed. A producer who decided not to use his/her exemption could return the exemption to the Board without penalty up to June 30, 2000, and any returned exemptions could be re-issued up to October 15, 2000. Any exemptions not canceled by June 30, 2000 became a binding obligation to market directly. For 2000-2001, the total 150,000 t of exemptions have been utilized. The program has been repeated for 2001-2002, with all 150,000 t of exemptions already requested.

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | As of Monday October 23, 2000 | | | | | | |
|--|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|-------------------------------|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL-FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | | | | | | |
| Vancouver B.C. | This week | FOB | (1) 137.66 | N/A | 135.66 | (3) 149.40 | | 323.50 | (7) 180.05 | 113.00 | 355.00 | (4) 710.00 | 390.00 | | | | 445.00 | | | | | | |
| | Week ago | | (1) 135.66 | N/A | 134.16 | (3) 152.60 | | 318.50 | (7) 167.83 | 113.00 | 350.00 | (4) 710.00 | 390.00 | | | | 440.00 | | | | | | |
| Calgary Alta | This week | FOB | (1) 114.50 | 105.00 | 112.50 | (3) 142.00 | | 318.50 | 179.00 | | 315.00 | (4) 760.00 | 470.00 | | | | 445.00 | | | | | | |
| | Week ago | | (1) 112.50 | 105.00 | 111.00 | (3) 141.00 | | 309.00 | 179.00 | | 310.00 | (4) 760.00 | 470.00 | | | | 440.00 | | | | | | |
| Saskatoon Sask. | This week | FOB | (1) 112.50 | 100.50 | 94.50 | (3) 126.00 | | 307.50 | 162.00 | | 315.00 | (4) N/A | 470.00 | | 127.67 | | 445.00 | | | | | | |
| | Week ago | | (1) 112.50 | 100.50 | 94.50 | (3) 126.00 | | 298.00 | 173.00 | | 310.00 | (4) N/A | 470.00 | | 131.00 | | 445.00 | | | | | | |
| Melfort Sask. | This week | FOB | (1) 110.90 | 101.10 | 106.50 | | | | | | | | | | | | | | | | | | |
| | Week ago | | 110.70 | 100.39 | 102.90 | | | | | | | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | (1) 93.35 | 92.74 | 91.85 | (3) 119.00 | | 294.50 | 162.00 | | 315.00 | (4) 712.50 | 420.00 | | | | 375.00 | | | | | | |
| | Week ago | | (1) 93.35 | 92.74 | 91.85 | (3) 120.00 | | 285.00 | 173.00 | | 315.00 | (4) 712.50 | 420.00 | | | | 360.00 | | | | | | |
| Thunder Bay Ont. | This week | Track | (1) 121.90 | 118.94 | 113.50 | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 121.70 | 118.24 | 110.90 | | | | | | | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | (3) 115.10 | | | | | | | | | | | | | | | | | |
| | Week ago | Vessel | | | | (3) 116.77 | | | | | | | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | (1) 142.65 | 167.00 | 134.00 | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 142.45 | 167.00 | 131.40 | | | | | | | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | (2) 114.66 | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | (2) 116.92 | | | | | | | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | 331.00 | (5) N/A | 425.00 | 475.00 | 116.00 | 187.00 | 410.00 | | | | | | |
| | Week ago | | | | | | | | | | 325.00 | (5) N/A | 425.00 | 475.00 | 116.00 | 185.00 | 400.00 | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | FOB | 305.34 | 180.78 | | | | | | | | | | | | | | |
| | Week ago | | | | | | | 299.49 | 172.73 | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | (2) 121.65 | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | (2) 120.19 | | | | | | | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | 108.00 | | | | | | | | |
| | Week ago | | | | | | | | | 68.50 | | | | 465.00 | 108.00 | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | 68.50 | | | | 485.00 | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | | | | | | | | 485.00 | 108.00 | | | | | | | | |
| | Week ago | | | | | | | | | | | | | 465.00 | 108.00 | | | | | | | | |
| Trois-Riv. Que. | This week | In-store | (1) 147.90 | | 144.50 | (2) 139.85 | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 147.70 | | 141.90 | (2) 140.94 | | | | | | | | | | | | | | | | | |
| St-Jean Que. | This week | FOB | (1) 148.73 | 101.67 | 133.25 | (2) 132.77 | | | | | | | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | (1) 148.40 | 101.67 | | (2) 135.03 | | | | | | | | | | | | | | | | | |
| Quebec Que. | This week | In-store | (1) 150.57 | | 146.17 | (2) 142.64 | FOB | 320.03 | | | | | | | | | | | | | | | |
| | Week ago | | (1) 150.23 | | 140.43 | (2) 139.76 | | 315.29 | | | | | | | | | | | | | | | |
| Truro N.S. | This week | Track | (1) 174.57 | 193.88 | 167.48 | (2) 163.89 | FOB | 345.90 | 216.05 | | 366.50 | | 370.00 | | | | 437.50 | | | | | | |
| | Week ago | | (1) 174.42 | 193.88 | 165.62 | (2) 164.12 | | 340.23 | 211.62 | | 361.00 | | 370.00 | | | | 427.50 | | | | | | |
| Truro N.S. | This week | Water | (1) 169.20 | N/A | 170.00 | 156.25 | | | | | | | | | | | | | | | | | |
| | Week ago | & Truck | (1) N/A | N/A | 158.00 | 153.60 | | | | | | | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | (1) N/A | N/A | 160.00 | 156.25 | FOB | | | | 279.75 | | | | | | | | | | | | |
| | Week ago | | N/A | N/A | 160.00 | 161.60 | | | | | 279.75 | | | | | | | | | | | | |
| Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 | | | | | | | | | | | | | | | | | | | | | | | |
| N/A = not available US \$1.00=Cdn \$1.5129 as of October 20, 2000 | | | | | | | | | | | | | | | | | | | | | | | |
| Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease. | | | | | | | | | | | | | | | | | | | | | | | |
| (1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley | | | | | | | | | | | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

N/A = not available US \$1.00=Cdn \$1.5129 as of October 20, 2000

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(1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday October 23, 2000

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|-----------|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 121.90 | 121.70 | | 122.80 | 123.30 |
| | | OATS | 118.94 | 118.24 | | N/A | N/A |
| | | BARLEY | 113.50 | 110.90 | | 107.50 | 111.10 |
| To: Bayports, Ont. | In-store | WHEAT | 145.00 | 144.80 | 1. | 145.90 | 144.86 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 140.65 | 138.05 | 1. | 134.65 | 137.85 |
| Montreal, Que. | In-store | WHEAT | 149.75 | 149.55 | 1. | 150.65 | 149.93 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 145.77 | 143.17 | 1. | 139.77 | 142.90 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 172.22 | 172.02 | | 173.12 | 171.18 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 172.13 | 169.53 | | 166.13 | 164.43 |
| Truro, N.S. | Truck via Halifax | WHEAT | 169.72 | 169.52 | | 170.62 | 168.68 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 167.25 | 164.65 | | 161.25 | 161.93 |
| Halifax, N.S. | In-store | WHEAT | 157.05 | 156.85 | 1. | 157.95 | 158.49 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 153.57 | 150.97 | 1. | 147.57 | 150.94 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 216.83 | 216.63 | | 217.73 | 218.23 |
| | | OATS | 225.14 | 224.44 | | N/A | N/A |
| | | BARLEY | 220.64 | 218.04 | | 214.64 | 213.77 |
| From: Melfort, Sask. | FOB | WHEAT | 110.90 | 110.70 | | 110.80 | 109.30 |
| | | OATS | 101.10 | 100.39 | | 89.95 | 101.00 |
| | | BARLEY | 106.50 | 102.90 | | 92.50 | 97.10 |
| To: Bayports, Ont. | Track | WHEAT | 167.02 | 166.82 | | 166.92 | 165.40 |
| | | OATS | 159.97 | 159.26 | | 148.72 | 166.37 |
| | | BARLEY | 159.89 | 156.29 | | 145.89 | 153.90 |
| Montreal, Que. | Track | WHEAT | 167.77 | 167.57 | | 167.67 | 166.16 |
| | | OATS | 160.87 | 160.16 | | 149.62 | 167.27 |
| | | BARLEY | 160.71 | 157.11 | | 146.71 | 154.72 |
| Moncton, N.B. | Track | WHEAT | 188.95 | 188.75 | | 188.85 | 187.33 |
| | | OATS | 184.21 | 183.50 | | 172.96 | 190.34 |
| | | BARLEY | 172.82 | 169.22 | | 158.82 | 176.28 |
| Truro, N.S. | Track | WHEAT | 189.12 | 188.92 | | 189.02 | 187.50 |
| | | OATS | 185.18 | 184.47 | | 173.93 | 193.78 |
| | | BARLEY | 186.44 | 182.84 | | 172.44 | 177.29 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 232.46 | 232.26 | | 232.36 | 230.83 |
| | | OATS | 232.56 | 231.85 | | 221.31 | 238.69 |
| | | BARLEY | 234.73 | 231.13 | | 220.73 | 225.59 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|-----------|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 115.10 | 116.77 | | 110.89 | 107.24 |
| To: Montreal, Que. (US Corn) | In-store | | 134.00 | 135.67 | 1. | N/A | 125.24 |
| From: Saginaw (Mi) | Track | | 106.17 | 109.02 | | 97.98 | 107.24 |
| To: Montreal, Que. (US Corn) | Track | | 133.71 | 136.56 | | 125.52 | 139.54 |
| From: Chatham | Track | | 114.66 | 116.92 | | N/A | 110.03 |
| To: Montreal, Que. | Track | | 137.55 | 139.81 | | 134.70 | 134.58 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 305.34 | 299.49 | | 316.36 | 256.17 |
| To: Montreal, Que. | Track | | 327.81 | 321.96 | | 338.83 | 279.84 |
| Moncton, N.B. | Track | | 345.12 | 339.27 | | 356.14 | 297.19 |
| Truro, N.S. | Track | | 348.09 | 342.24 | | 359.11 | 300.33 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 397.35 | 391.50 | | 408.37 | 347.63 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

November 10, 2000

Vol. 13 No. 18

CANADA: HOGS AND CATTLE SITUATION AND OUTLOOK

HOGS AND PORK

Canadian hog inventories on October 1, 2000 were 1% lower than the level observed a year ago. Hog slaughter for the first half of 2000 was up 4% due to increased demand from Canadian packers and conversely live hog exports were down. Second quarter hog prices increased substantially (43% above second quarter 1999). On average, Canadian hog prices are expected to increase 34% in 2000 but decrease 10% in 2001. Both pork production and pork exports are expected to increase in 2000 and 2001 due to increased domestic slaughter capacity.

U.S. PRODUCTION AND PRICES

According to the September 2000 USDA *Hogs and Pigs* report, U.S. inventories of all hogs and pigs on September 1 were 60.2 million head (mln hd), which represents a 1% decline from the previous year. U.S. hog producers reported 2.90 million sows farrowed between June and August 2000, 1% below last year. They intend to have 2.88 million sows farrowed during the September-November 2000 quarter, 1% above farrowing during the same period in 1999, but 4% below 1998. Intended farrowing of 2.89 million sows over the December 2000 through February 2001 period would represent a 3% increase above the same period in 2000. This would suggest that low feed costs are resulting in favorable producer returns and are likely to reverse the hog cycle in mid to late-2001. Both breeding and market hog inventories declined 1% from 1999 levels to 6.27 mln hd and 53.9 mln hd respectively.

Based on the decline in hog inventories in 2000 and expected increase in 2001, U.S. pork production is likely to fall to 18,869 million pounds (mln lb) in 2000 (2% lower than 1999) but increase to 19,350 mln lb in 2001 (2.5% higher than 2000) respectively. Low feed prices and the continued expansion of larger vertically integrated operations will partially off-set the continued exit of

smaller high cost operations. U.S. pork exports are expected to decrease modestly to 1,253 mln lb and imports are expected to increase significantly (21%) to about 999 mln lb in 2000. Per capita pork consumption is expected to decline by 2.5% to 52.5 pounds due to continuing strong demand for both chicken and beef.

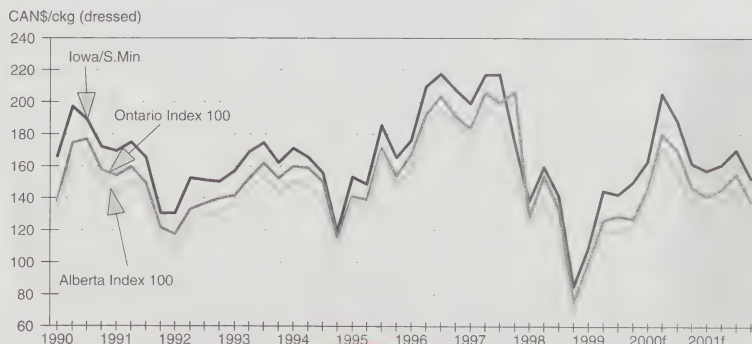
The hog price cycle will continue; the bottom of the cycle occurred in 1998 and prices peaked in June 2000. According to the September 2000 USDA *Livestock, Dairy and Poultry Situation and Outlook* report, increasing hog production is expected to lead to a decline in hog prices later in 2000. Hog prices averaged US\$45 per hundredweight (cwt) in August compared to US\$50 in

July 2000. Major pork cuts exhibited price strength earlier this summer. The pork carcass cutout prices were over 20% higher in September 2000 compared to September 1999. The 2000 annual hog price is expected to average around US\$44/cwt. However, a turn in the hog cycle in mid to late-2001 will likely reduce the 2001 annual hog price to the US\$40/cwt range.

CANADIAN HOG PRICES

Canadian hog prices on an exchange rate adjusted basis generally follow U.S. prices (Figure 1). As Canada is a net exporter of hogs to the U.S., Canadian prices will lie below U.S. prices. On average, Canadian hog prices increased 43% in the second quarter of 2000 compared to one year ago. In 2000, the

FIGURE 1: HOG PRICES

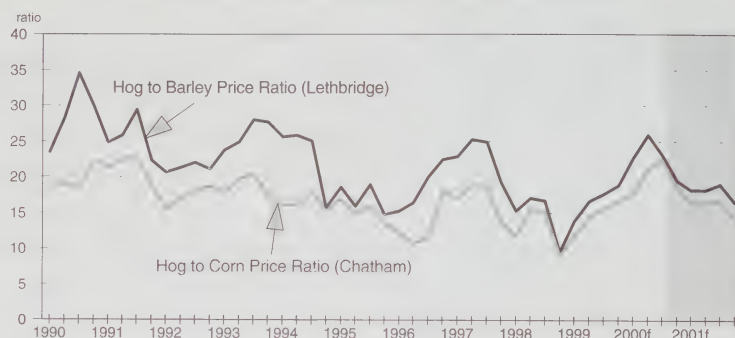


F: forecast, AAFC, October 2000
Source: AAFC-MISB



Ontario Index 100 hog price is expected to average around \$161 per hundred kilograms (/ckg), registering a 34% increase compared to the 1999 average price. For 2001, the prices are expected to drop 9% and average in the \$145/ckg range. The Alberta Index 100 hog price is expected to increase to \$152/ckg in 2000 but decrease to \$138/ckg in 2001. Price projections are based on the assumption that the Canadian dollar will likely fluctuate between approximately \$1.45 to \$1.48 CAN\$/US\$ between the first quarter of 2000 and the fourth quarter of 2001.

**FIGURE 2: CANADA -
HOG/FEEDGRAIN PRICE RATIOS**



f: forecast, AAFC, October 2000
Source: AAFC-MISB, CANFAX

HOG TO FEEDGRAIN PRICE RATIOS

Since grain is the major input for hog production, the ratio of hog to feedgrain prices is a good indicator of profitability. Figure 2 indicates that the returns to hog producers were quite high in early 1990s. Very low prices in late 1998 and early 1999, however, resulted in low hog-corn and hog-barley price ratios, which suggests lower profitability. As shown in Figure 2, these ratios started increasing in 1999 and are expected to remain high until third quarter 2000 as feedgrain prices remain low. Beginning fourth quarter 2000, these ratios are expected to decline slightly as a result of an expected decline in hog prices and a slight increase in feedgrain prices.

Relatively low feed costs will positively influence producer returns and should allow operations to remain profitable in 2000 and 2001.

On November 7, 2000, the Canada Customs and Revenue Agency imposed a provisional duty of US\$1.58 per bushel on grain corn imported from the U.S. The provisional duty will apply to imports west of the Manitoba/Ontario border.

INVENTORIES AND MARKETINGS

Statistics Canada reported that total hog inventories as of October 1, 2000, were 12.2 mln hd, approximately 1% lower

than October 1, 1999. Comparing October 1 inventories, 2000 to 1999, only New Brunswick, Manitoba, and Saskatchewan showed an increase in their inventories. Total pig inventories declined by 2.3% in Eastern Canada but increased by 1.3% in Western Canada (Figure 3). Quebec's pig inventory of 3.7 mln hd, was the largest in Canada but still 1% lower than the level observed on October 1, 1999.

According to Statistics Canada, sows farrowed in the third quarter (July-September) of 2000 were 3.3% higher than the previous year. These hogs

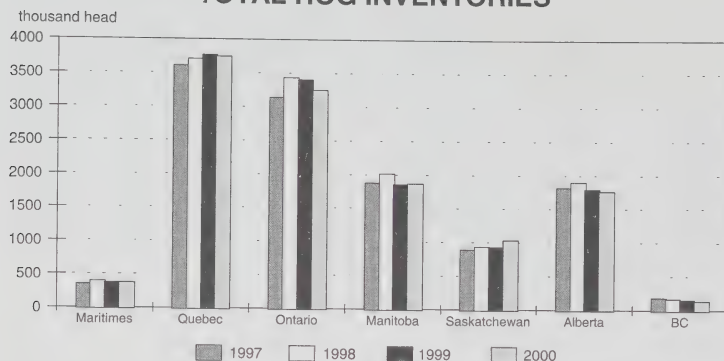
CANADA: HOG AND PORK SUPPLY AND DISPOSITION

| | 2000 | | | | 2001f | | | | Annual | | |
|--------------------------------------|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q1 | Q2 | Q3f | Q4f | Q1 | Q2 | Q3 | Q4 | 1999 | 2000f | 2001f |
| | thousand head | | | | | | | | | | |
| Beginning Inventory Hogs | 12,242 | 12,131 | 12,231 | 12,148 | 12,051 | 11,938 | 12,084 | 12,136 | 12,409 | 12,242 | 12,051 |
| Hog Marketings (incl. < 50 kg) | 5,951 | 5,718 | 6,060 | 6,085 | 6,068 | 5,943 | 6,063 | 6,165 | 23,056 | 23,814 | 24,239 |
| Hog Slaughter | 4,972 | 4,676 | 4,886 | 5,053 | 5,177 | 4,994 | 4,995 | 5,221 | 18,928 | 19,587 | 20,387 |
| Hog Exports: > 50 kg | 475 | 506 | 570 | 470 | 380 | 405 | 456 | 376 | 2,031 | 2,021 | 1,617 |
| Hog Exports: < 50 kg | 506 | 538 | 606 | 562 | 511 | 544 | 613 | 568 | 2,105 | 2,212 | 2,236 |
| Total Hog Exports | 981 | 1,044 | 1,176 | 1,032 | 891 | 949 | 1,069 | 944 | 4,136 | 4,233 | 3,853 |
| | thousand tonnes (cold carcass equivalent) | | | | | | | | | | |
| Pork Production | 424 | 399 | 417 | 431 | 440 | 425 | 425 | 444 | 1,584 | 1,671 | 1,734 |
| Pork Exports | 179 | 176 | 182 | 190 | 193 | 198 | 186 | 200 | 631 | 727 | 777 |
| Domestic Disappearance | 252 | 232 | 246 | 252 | 256 | 235 | 249 | 255 | 1,004 | 982 | 995 |
| | PRICES | | | | | | | | | | |
| Ontario Index 100 {Dressed (\$/ckg)} | 146 | 180 | 170 | 147 | 141 | 146 | 155 | 138 | 120 | 161 | 145 |
| Alberta Index 100 {Dressed (\$/ckg)} | 142 | 172 | 156 | 137 | 133 | 138 | 146 | 133 | 114 | 152 | 138 |
| Iowa/South Minn. {Live (\$US/cwt)} | 41 | 50 | 46 | 40 | 39 | 40 | 42 | 38 | 33 | 44 | 40 |

f: forecast, AAFC October 2000

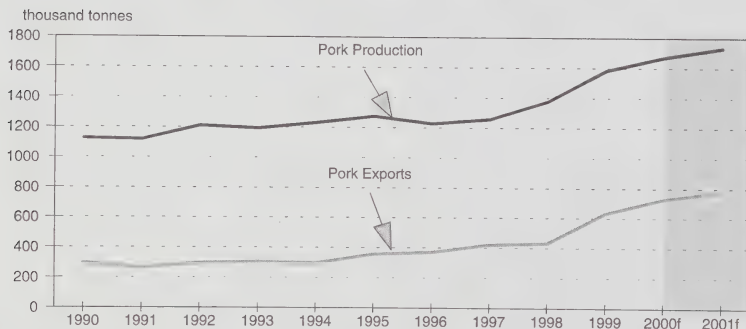
Source: Statistics Canada and AAFC, MISB

**FIGURE 3: CANADA (OCTOBER 1) -
TOTAL HOG INVENTORIES**



Source: Statistics Canada

**FIGURE 4: CANADA
PORK PRODUCTION AND EXPORTS**



f: forecast, AAFC, October 2000

Source: Statistics Canada

should be marketed in early to mid-2001. Farrowing intentions for the fourth quarter (October-December) of 2000 indicate a decrease of 0.7% in sows farrowing over the same period a year ago because of an expected decrease in hog prices in the first two quarters of 2001.

Hog marketings are expected to reach 23.8 mln hd in 2000 (including exports of piglets), an annual increase of 3.3%, and marketings for 2001 are expected to increase another 1.8%.

DOMESTIC SLAUGHTER AND HOG EXPORTS

Recent expansion in production and slaughter capacity in Canada is expected to lead to a 3.5% increase in the total hog slaughter from 18.9 mln hd to 19.6 mln hd between 1999 and 2000

respectively. Barring any strikes or lockouts in the Canadian pork packing industry, hog slaughter is expected to increase 4% in 2001. Several processing plants have either increased or will increase their slaughter capacity to compete for a share of the potential increase in hog supply.

As a result of an increase in domestic slaughter capacity, exports of slaughter hogs are expected to decline in 2000 and 2001. The Maple Leaf Food's Brandon, Manitoba hog-kill plant opened in August 1999 but has not operated at full capacity until recently.

Weaner pig exports to the U.S. are likely to continue to increase since some U.S. farrow-to-finish operations are becoming "finishing-only" operations as a result of cheap feedgrain and fewer labor

requirements. To keep their barns full, the U.S. operations are continuing to draw weaner pigs from Canada. Compared to a year ago, the first half 2000 hog slaughter was up 3% in Eastern Canada and 6% in Western Canada. Quebec slaughtered the largest number of pigs (3.3 mln hd) followed by Ontario (2.4 mln hd) in the first half of 2000. Total Canadian hog slaughter was up 4% in the first half of 2000 compared to the same time period a year ago. Hog slaughter during the remainder of 2000 is expected to be up as a result of an increase in Canadian processors' demand leading to a decrease in live hog exports to the U.S. Due to recent investments in larger, state-of-the-art slaughtering plants, Canadian slaughter capacity is expected to increase at least until 2003.

PORK PRODUCTION AND EXPORTS

Canadian pork production has increased about 14% to 1.6 million tonnes in 1999. Pork production is expected to increase 5.5% in 2000 and another 3.7% in 2001 (Figure 4). At the same time, total disappearance is expected to decline 2.3% in 2000 because of an increase in the price of pork. As a result of increased pork production, pork exports have increased significantly over the years. Exports for 2000 are expected to increase 15% and another 7% in 2001. Depreciation of Canadian currency and recovery from the recent economic turmoil in the Asian countries are expected to contribute to an increase in demand for Canadian pork overseas.

PORK NEWS

Maple Leaf Pork recently announced that its Brandon plant would resume a five-day work week in effect since spring. The

Brandon plant was processing only 100 hogs per day when processing first began in August of last year. Now, the plant turns out 1,300 hogs per hour or, 36,000 per week. A large supply of hogs and the availability of an efficient labor force have led Maple Leaf to decide in favor of increasing hog slaughter at their Brandon plant. This will increase demand for slaughter hogs further and reduce live hog exports to the U.S. in 2001.

CATTLE AND BEEF

The Canadian cattle cycle is still in the contraction phase and as a result, the cattle herd has declined for the fourth consecutive year. Estimated total cattle and calves inventories decreased about 1% on July 1, 2000 compared to a year ago. Both beef production and beef exports are expected to increase in 2000 but decrease modestly in 2001. Live cattle prices for the remainder of 2000 and into 2001 are expected to remain strong as supplies tighten.

U.S. PRODUCTION AND PRICES

The *Cattle* report released by the National Agricultural Statistical Service (NASS), USDA, on July 21, 2000, reported that total U.S. cattle and calves inventories on July 1, 2000 were 106.4 million, 1% below the 107 million of a year ago. The July 1, 2000 survey of cattle producers indicated that beef replacement heifers and beef cows were down 2% and 1% respectively. Steers

weighing 500 pounds or over, at 14.3 mln hd, were down 1%.

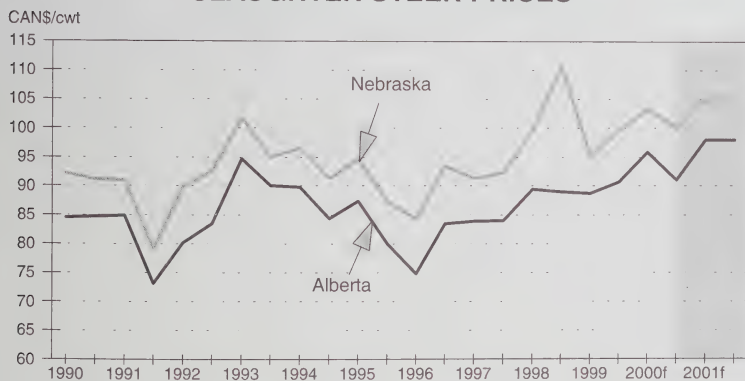
According to the USDA *Cattle on Feed* report of September 15, 2000, cattle and calves on feed for slaughter in the U.S. from feedlots with capacity of 1,000 or more head totaled 10.4 mln hd on September 1, 2000. Cattle on feed inventories were up 9% from a year ago. According to the USDA, worsening

drought conditions will likely extend the cattle herd decline into 2002 as heifer retention appears to have been delayed for another year.

The decline in cattle numbers during the past several years will lead to a decline in beef production in 2001. According to the USDA, beef production is expected to begin to decline in the fourth quarter of 2000. Annual beef production is expected to increase 1.5% in 2000 but decrease 5% in 2001. Beef exports increased 11% between 1998 and 1999 and are expected to increase 5% in 2000 but decrease 3% in 2001. Imports are expected to increase 5% in 2000 compared to the 1999 levels.

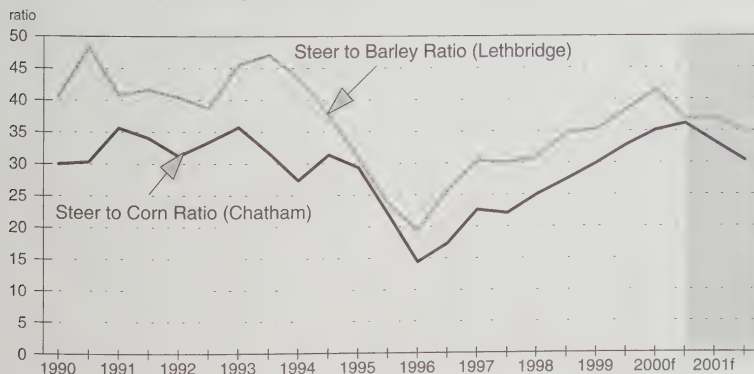
The USDA forecasts that the 2000 price of choice steers in Nebraska is expected to average US\$69/cwt, about 5% above the 1999 price. This increase is primarily due to a stronger demand than supply of cattle. Second quarter prices of choice steers in Nebraska averaged US\$71.59/cwt and showed an increase of 10% compared to the same time period a year ago. According to the USDA, prices of Oklahoma feeder steers (600-700 lb) are expected to stay strong and average near US\$95/cwt in 2000 and 2001.

**FIGURE A:
SLAUGHTER STEER PRICES**



f: forecast, AAFC, October 2000
Source: CANFAX, AAFC-MISB

**FIGURE B: CANADA -
STEER/FEEDGRAIN PRICE RATIOS**

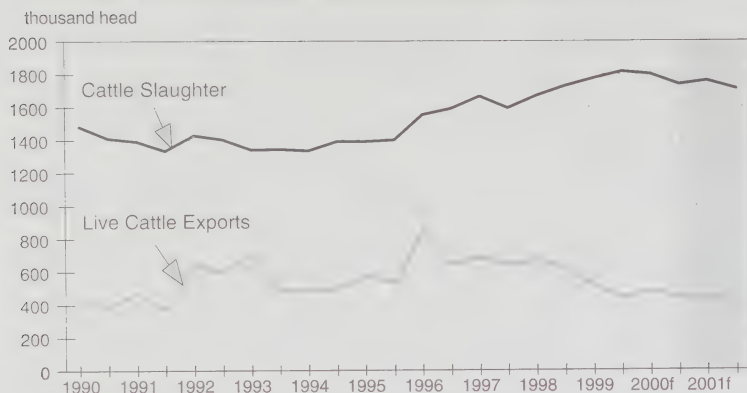


f: forecast, AAFC, October 2000
Source: AAFC-MISB, CANFAX

CANADIAN CATTLE PRICES

Canadian cattle prices closely follow U.S. prices (Figure A). Average annual cattle prices are expected to rise in 2000 compared to 1999 as low level of cattle inventory continues, and supplies decline. Compared to 1999, the 2000 average slaughter steer prices are expected to increase 11 and 4% respectively for Ontario and Alberta. Tight supply of fed-cattle during most of this year was the main reason for a larger increase in the Ontario price. Compared to a year ago, average feeder

**FIGURE C: CANADA -
CATTLE SLAUGHTER AND LIVE EXPORTS**



f. forecast, AAFC, October 2000
Source: Statistics Canada

steer prices in 2000 are expected to be about 16 and 18% higher in Ontario and Alberta respectively. Average slaughter and feeder steer prices are expected to remain strong in 2001. Fed-cattle and feeder cattle prices are expected to remain strong as long as feed stays cheap and beef demand remains strong.

STEER TO FEEDGRAIN PRICE RATIOS

The steer to feedgrain price ratio is a good economic indicator of feed lots' profitability. Figure B shows that the steer to feedgrain price ratios were quite high in the early 1990s indicating high profitability. These ratios were lowest in the first half of 1996 but have since then shown significant improvement. The ratios are expected to stay relatively stable in 2000 but could decline slightly in 2001 due to a marginal increase in feedgrain prices with stable cattle prices.

INVENTORIES AND MARKETINGS

The cattle industry is currently going through a cyclical contraction. Following its peak in 1996, cattle inventories declined steadily. According to Statistics Canada, the cattle herd has declined for the fourth consecutive year. Estimated total cattle and calves inventories on July 1, 2000 were 14.3 mln hd, a decrease of about 1% from July 1, 1999. Beef cow numbers were down 2% while replacement beef heifers were up 2.4%. This indicates some sign of herd

rebuilding. Cattle and calves inventories are expected to begin rising in early 2001. Producers may continue to retain heifers for the breeding herd in the fourth quarter of 2000 as well. Cattle marketings are expected to be down about 3% in 2000 and again in 2001.

DOMESTIC SLAUGHTER AND CATTLE EXPORTS

As a result of a continuous decline in the cattle inventory, marketings are expected to fall in both 2000 and 2001. Domestic cattle slaughter is expected to decrease about 1.5% in 2000 and 2% in 2001. Due to high cattle prices, packers' margin will be reduced leading to a lower

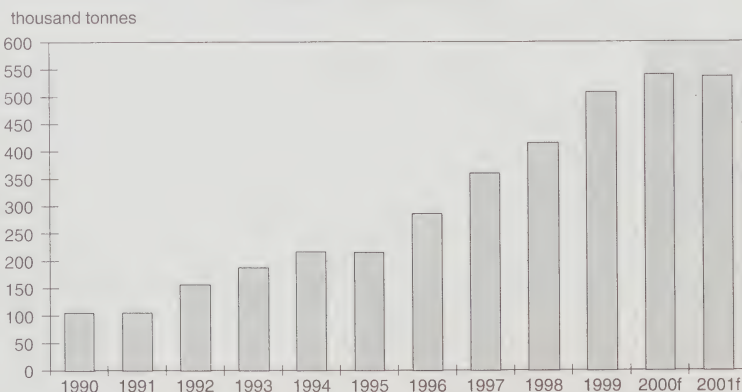
demand for slaughter cattle by the packers. Annual cattle slaughter is expected to be 3.54 mln hd in 2000 and 3.47 mln hd in 2001. Since marketings will be declining more rapidly than slaughters, exports of slaughter cattle should be falling in 2000 and 2001 (Figure C).

Canadian live cattle exports declined 7% in the first half of 2000 compared to a year ago. Annual live cattle exports are forecast to decline 3.5%, from 958 thousand head (k hd) in 1999 to about 925 k hd in 2000. Improved efficiency and increased slaughter capacity in Canada will contribute to a decline in live cattle exports in the future. Also, imports of feeder cattle from the U.S. increased sharply in 1999 and are expected to increase further in 2000. This is because of a severe drought in the U.S. that has damaged a large area of pasture land forcing producers to export more feeders to Canada.

BEEF PRODUCTION AND EXPORTS

As a result of increased slaughter, beef production increased 8% in 1999. However, beef production is expected to increase marginally in 2000 compared to 1999 because of a small decrease in cattle slaughter but heavier carcass weight due to low feedgrain prices. The expected decline in cattle supply due to the cattle cycle suggests a 2% decline in 2001 beef production.

**FIGURE D: CANADA -
BEEF EXPORTS**



f. forecast, AAFC, October 2000
Source: Statistics Canada

CANADA: CATTLE AND BEEF SUPPLY AND DISPOSITION

| | 2000 | | 2001f | | Annual | | |
|-------------------------------------|---|-------------|---------|-----------|--------|--------|--------|
| | January | July | January | July | 1999 | 2000f | 2001f |
| | -June | -December f | -June | -December | | | |
| Cattle and Calves | | | | | | | |
| Beginning Inventory | 12,766 | 14,275 | 12,784 | 14,357 | 12,902 | 12,766 | 12,784 |
| Slaughter (cattle) | 1,800 | 1,737 | 1,758 | 1,709 | 3,588 | 3,537 | 3,467 |
| Exports (cattle) | 481 | 444 | 436 | 428 | 958 | 925 | 864 |
| Marketings (cattle) | 2,184 | 2,031 | 2,092 | 1,987 | 4,364 | 4,215 | 4,079 |
| Beef | | | | | | | |
| Average Cold Carcass Weight | 339 | 349 | 340 | 349 | 339 | 344 | 345 |
| | thousand tonnes (cold carcass equivalent) | | | | | | |
| Production | 611 | 606 | 598 | 596 | 1,213 | 1,217 | 1,194 |
| Exports | 265 | 275 | 272 | 264 | 508 | 540 | 536 |
| Imports | 146 | 140 | 139 | 138 | 262 | 286 | 277 |
| Domestic Disappearance | 491 | 471 | 471 | 470 | 967 | 962 | 941 |
| Prices | | | | | | | |
| | \$/cwt live | | | | | | |
| Ontario Steers | 105 | 100 | 107 | 103 | 93 | 103 | 105 |
| Alberta Steers | 96 | 91 | 98 | 98 | 90 | 94 | 98 |
| Nebraska Steers (US\$) | 70 | 68 | 72 | 72 | 66 | 69 | 72 |
| Ontario Feeder Steers (500-600 lb) | 143 | 146 | 145 | 144 | 125 | 145 | 145 |
| Alberta Feeder Steers (500-600 lb) | 152 | 155 | 154 | 153 | 130 | 154 | 154 |
| Oklahoma Feeder Steers (600-700 lb) | 93 | 95 | 96 | 94 | 81 | 94 | 95 |

f: forecast, AAFC October 2000

Source: Statistics Canada and AAFC, MISB

Beef exports increased over 22% in 1999 but are expected to increase only 6% in 2000 due to a very small increase in production. However, in 2001, beef exports are expected to stay relatively flat because of a slight decline in beef production (Figure D). Mexican anti-dumping duty on certain types of U.S. beef has created opportunities for the Canadian beef exporters. Beef disappearance was up 2% in 1999 and is expected to decline marginally in 2000 and may decrease 2% in 2001.

For more information, please contact:
Research and Analysis Directorate

Dr. Raman Srivastava
Research Economist
Phone: (613) 759-7436
Fax: (613) 759-7036
E-mail: srivasr@em.agr.ca

Prepared in collaboration with:
Gord Fetterly,
Agricultural Marketing Officer
 and
Randy Kroeker, Economist

BEEF NEWS

According to the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF), Japanese beef consumption increased 2.7% in 1999 and is forecast to increase further in 2000. Consumption of pork and chicken, however, fell over the same period of time. This may have implications for Canadian red meat exports.

Antibodies of the virus known to cause foot and mouth disease (FMD) were recently found in a small number of cattle in Argentina. Government authorities in Argentina claim that the original 10 cattle detected with the FMD virus were illegally smuggled past sanitary controls from Paraguay. Apparently, Argentina was granted "FMD free without vaccination" status by the World Organization for Animal Health in May 2000. This ruling opened the way for Argentina to export beef to anywhere in the world, including the high-value, lucrative Pacific beef market of Japan and Korea. However, with this disease incident, Argentina's access to Pacific beef market and to the U.S. and Canada will be temporarily delayed.

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

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Market Analysis Division,
 Strategic Policy Branch,
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 Agriculture and Agri-Food Canada.
 500-303 Main Street
 Winnipeg, Manitoba R3C 3G7
 Telephone: (204) 983-8473
 Fax: (204) 983-5524
 Editor: Gordon MacMichael
 E-mail: macmichaelg@em.agr.ca

Director: Maggie Liu
 Chief: Fred Oleson

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B. CASH PRICES AND REPLACEMENT VALUES

As of Monday November 6, 2000

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|----------------------|--------------------------|--------|-----------|----------|-----------|----------|
| From: Thunder Bay | Track | WHEAT | 126.70 | 124.80 | 123.50 | 123.00 |
| | | OATS | 123.10 | 120.81 | N/A | N/A |
| | | BARLEY | 120.20 | 114.80 | 110.50 | 110.10 |
| To: Bayports, Ont. | In-store | WHEAT | 149.80 | 147.90 | 146.60 | 144.56 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 147.35 | 141.95 | 137.65 | 136.85 |
| Montreal, Que. | In-store | WHEAT | 154.55 | 152.65 | 151.35 | 149.63 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 152.47 | 147.07 | 142.77 | 141.90 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 177.02 | 175.12 | 173.82 | 170.88 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 178.83 | 173.43 | 169.13 | 163.43 |
| Truro, N.S. | Truck via Halifax | WHEAT | 174.52 | 172.62 | 171.32 | 168.38 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 173.95 | 168.55 | 164.25 | 160.93 |
| Halifax, N.S. | In-store | WHEAT | 161.85 | 159.95 | 158.65 | 158.19 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 160.27 | 154.87 | 150.57 | 149.94 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 221.63 | 219.73 | 218.43 | 217.93 |
| | | OATS | 229.30 | 227.01 | N/A | N/A |
| | | BARLEY | 227.34 | 221.94 | 217.64 | 212.77 |
| From: Melfort, Sask. | FOB | WHEAT | 118.70 | 115.80 | 110.50 | 108.00 |
| | | OATS | 105.14 | 102.89 | 89.85 | 110.00 |
| | | BARLEY | 110.20 | 108.80 | 100.50 | 96.60 |
| To: Bayports, Ont. | Track | WHEAT | 174.82 | 171.92 | 166.62 | 164.10 |
| | | OATS | 164.01 | 161.76 | 148.72 | 175.37 |
| | | BARLEY | 163.59 | 162.19 | 153.89 | 153.40 |
| Montreal, Que. | Track | WHEAT | 175.57 | 172.67 | 167.37 | 164.86 |
| | | OATS | 164.91 | 162.66 | 149.62 | 176.27 |
| | | BARLEY | 164.41 | 163.01 | 154.71 | 154.22 |
| Moncton, N.B. | Track | WHEAT | 196.75 | 193.85 | 188.55 | 186.03 |
| | | OATS | 188.25 | 186.00 | 172.96 | 199.34 |
| | | BARLEY | 176.52 | 175.12 | 166.82 | 175.78 |
| Truro, N.S. | Track | WHEAT | 196.92 | 194.02 | 188.72 | 186.20 |
| | | OATS | 189.22 | 186.97 | 173.93 | 202.78 |
| | | BARLEY | 190.14 | 188.74 | 180.44 | 176.79 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 240.26 | 237.36 | 232.06 | 229.53 |
| | | OATS | 236.60 | 234.35 | 221.31 | 247.69 |
| | | BARLEY | 238.43 | 237.03 | 228.73 | 225.09 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|-----------|----------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 125.17 | 117.69 | 111.98 | 115.18 |
| To: Montreal, Que. (US Corn) | In-store | | 144.07 | 136.59 | N/A | 133.18 |
| From: Saginaw (MI) | Track | | 111.28 | 103.26 | 104.30 | 110.58 |
| To: Montreal, Que. (US Corn) | Track | | 138.82 | 130.80 | 131.84 | 142.88 |
| From: Chatham | Track | | 122.53 | 113.68 | N/A | 114.56 |
| To: Montreal, Que. | Track | | 145.42 | 136.57 | 137.65 | 139.11 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|----------------------|--------------------------|--|--------|--------|--------|--------|
| From: Hamilton, Ont. | | | 312.17 | 300.49 | 305.23 | 267.53 |
| To: Montreal, Que. | Track | | 334.64 | 322.96 | 327.70 | 291.20 |
| Moncton, N.B. | Track | | 351.95 | 340.27 | 345.01 | 308.55 |
| Truro, N.S. | Track | | 354.92 | 343.24 | 347.98 | 311.69 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 404.18 | 392.50 | 397.24 | 358.99 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Québec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Bi-weekly Bulletin

A1 November 23, 2000

Vol. 13 No. 19

ALBERTA



Due to the large livestock sector in Alberta, the province enjoys one of the most balanced economies in Canada. Alberta is the leading Canadian producer of beef cattle, but is well suited to both livestock and grain production. This issue of the *Bi-weekly Bulletin* examines the supply and disposition of grains, oilseeds and special crops in Alberta, and provides an overview of the livestock sector. As the northerly Peace River region spans both Alberta and British Columbia, an overview of agriculture in the Peace River region has also been included.

Geography

Alberta is situated on the eastern slopes of the Rocky Mountains and the western edge of the Canadian Prairies. Alberta is located between British Columbia and Saskatchewan, and occupies about 652,330 square kilometres (km²) of land and water. The supply of freshwater is limited, occupying only 2.5% of the total area, or 16,800 km². In 1999, about 9.7% of the Canadian population, or 2.97 million people lived in Alberta. Since 1984, the population has increased by 2% in Alberta, compared to only 0.8% for Canada. More than 900,000 people reside in each of Alberta's largest cities, the capital city of Edmonton, and Calgary. In 1999, the population of Calgary surpassed that of Edmonton.

About 30% of Alberta's total land area is used in crop and livestock production. The 20.6 million hectares (Mha) used for agricultural production consists of approximately 10.9 Mha of crops and summerfallow, 8.5 Mha of pasture and 1.2 Mha for other agricultural production. While improved farm land comprises only 20% of the province's total land area, livestock owners extensively devote unimproved land to their cattle operations.

Soil Zones

Alberta is divided into five major soil zones: Brown, Dark Brown, Black, Dark Gray and Gray. The Black soil zone lies

in a narrow, north-south belt from Edmonton to Calgary and along the foothills to the Montana border. Because of favourable moisture conditions and high organic matter, this zone is used extensively for crop production. South and east of this band lie the Dark Brown and Brown soil zones. Moisture is a major limiting factor to crop growth in both zones. The Dark Gray soils lie north and west of the Black soil zone and are also present in the Peace River region. A cooler climate results in a shorter growing season for annual crops. Gray wooded soils are present throughout most of northern Alberta, and due to climatic conditions, typically do not support agricultural production.

Climate

Alberta's climate is characterized by hot, dry summers and variable winter temperatures, due to the phenomena of chinook winds. During the cold winter months in central and southern Alberta, the severity of winter is moderated by frequent warm winds called *chinooks*, which can warm daytime temperatures to as high as 20 degrees Celsius (°C). According to the *National Ecological Framework for Canada*, the average January temperature for the Prairie agricultural area of Alberta is -17°C, while the average July temperature rises to 19°C. On average, farmers in Alberta receive more precipitation than their neighbours in Saskatchewan, but less

than farmers in Manitoba, with average annual precipitation of 510 millimeters (mm), including 121 mm of snow and 389 mm of rain.

The Peace River region, which is located farther north, and outside of the Prairie region, is located in the Boreal Plains ecozone and is characterized by a unique climate, marked by warmer temperatures than the surrounding areas. The mean

ALBERTA: GRAIN GROWING AREAS



summer temperature is 13°C, and the mean winter temperature is -14°C. The mean annual precipitation is about 430 mm. Due to its northerly position, the Peace River region enjoys very long summer days, and fairly short winter days.

Irrigation

Alberta holds a leading role in Canada in terms of irrigated area and in the production of irrigated crops. In 1999, it was estimated that Alberta had 66% of the irrigated area in Canada. Irrigation is continuing to expand beyond the 500,000 ha currently serviced by the 13 irrigation districts in southern Alberta, and the 100,000 ha under private irrigation. In 1999, crops produced under

| ALBERTA: POPULATION | | | | |
|-----------------------------------|-----------|-----------|-----------|-----------|
| | 1981 | 1986 | 1991 | 1996 |
| Total Population | 2,237,724 | 2,365,830 | 2,545,555 | 2,696,825 |
| Farm Population | 195,284 | 183,835 | 176,935 | 188,510 |
| Farm Population (%) | 8.73% | 7.77% | 6.95% | 6.99% |
| Number of Census Farms | 58,056 | 57,777 | 57,245 | 59,007 |
| Average Size of Census Farms (ha) | 329 | 357 | 363 | 357 |

Source: Statistics Canada

irrigation accounted for about 12% of Alberta's agricultural production, even though irrigated land only constituted 5% of the total cultivated area. Irrigation enables producers to grow crops such as potatoes, sugar beets and soft white spring wheat which require more moisture than is

naturally available in southern Alberta. Irrigation also greatly increases yields over what could be expected without the additional moisture.

OVERVIEW OF THE PEACE RIVER REGION

The Peace River region occupies over 3 Mha in northern Alberta and British Columbia. The entire Peace River region lies farther north than any agricultural land in Saskatchewan or Manitoba. On the Alberta side, approximately 1.66 Mha are cropped, while about 716,000 ha are in pasture. In British Columbia, approximately 283,000 ha are cropped, while 380,000 ha are in pasture. Wheat, canola, and tame hay are the main crops produced in this region.

Agronomics

The Peace River region is characterized by flat prairies lying amongst numerous hills and rivers. The soil is primarily clay-based, providing considerable moisture retention.

With about 100 to 110 frost free days, the Peace River region's growing season is comparable to central Alberta. One difference is that due to its northerly position, the Peace River region enjoys very long summer days. In June and July, the day is about 19 hours long. Precipitation can be a concern, as the average precipitation is only 430 mm per year, compared to the Alberta average of 510 mm.

Cropping Practices

Wheat and **canola** are the two main crops produced in the Peace River region, and **dry peas** and **forages** are also produced in abundance. Less emphasis is placed on growing feedgrains, such as **oats** and **barley**, as the livestock industry is less developed in the Peace River region, than in other areas of Alberta.

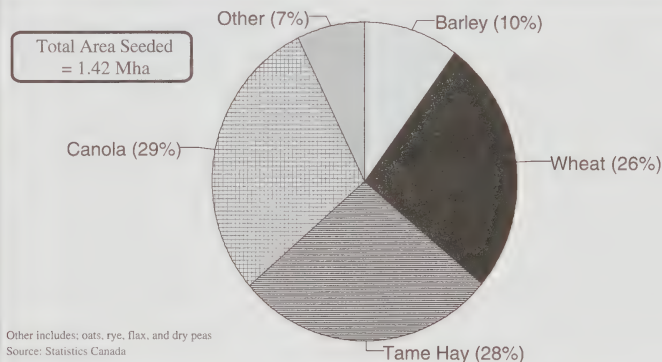
Forages

The Peace River region is a dominant world producer of forage seeds. Approximately 50,000 ha of creeping red fescue are harvested annually. Other forage seed crops that are grown include tall fescue, smooth and meadow brome, timothy, and red clover. There is a well developed infrastructure for the forage seed industry in the Peace River region, with about a dozen forage seed companies operating in the area.

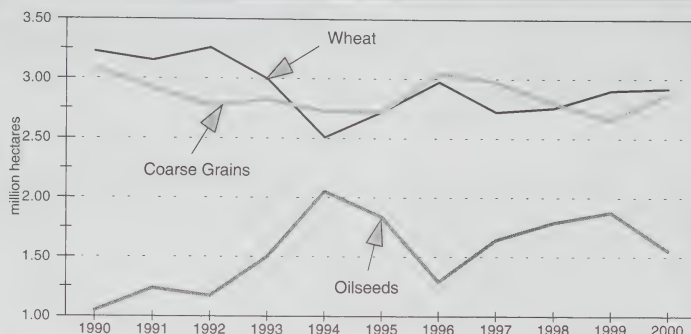
Livestock

Rising land values in southern and central Alberta have shifted some livestock expansion focus northward, and there has been expansion in the **beef** cattle sector in the Peace River region, although numbers still remain small compared to the rest of Alberta. There has also been expansion in the **hog** sector, with farrow, feeder and finishing operations being expanded or established throughout the region. There is a substantial amount of specialty livestock, especially **bison** and **elk** produced in the region.

PEACE RIVER REGION: 1998 AREA SEEDED



ALBERTA: AREA SEEDED



Source: Statistics Canada

Agriculture and Economy

Over the past five years, Alberta has had the strongest economy in Canada, averaging an annual 4.8% increase in real growth. Alberta has capitalized on its strengths in agriculture, energy, forestry, and industrial products to develop a dynamic and diverse economy.

Agriculture is the second most important area of economic activity in Alberta, following the oil and natural gas industry.

Due to the large livestock sector in Alberta, the province enjoys one of the most balanced agricultural economies in Canada. Historically, receipts from livestock have equalled receipts from crop production, although in recent years,

livestock receipts have significantly exceeded crop receipts. Within the livestock and crop segments, there is wide diversity. Beef cattle, dairy cattle, hogs, sheep and poultry can be found on farms throughout the province, while wheat, barley, oats, rye, flax, canola, special crops, and numerous varieties of forage seed crops are grown.

The agri-food sector accounts for about 4.8% of the Gross Domestic Product (GDP) in Alberta. While agriculture provides about 5% of the employment directly, it is estimated that agriculture is directly and indirectly responsible for 6.5% of the jobs in the province.

Primary Grain Elevators

The number of licenced grain elevators has decreased from 1,642 in 1962 to only 231 as of June 22, 2000. This 86% reduction shows that consolidation has been more prevalent than in both Manitoba (69%) and Saskatchewan (84%). Of the 222 licenced primary elevators operating in Alberta as of June 22, 2000, 127 were owned by Agricore Cooperative Ltd, and with a combined capacity of 0.93 million tonnes (Mt), Agricore had 46% of the grain storage capacity. Other major grain companies with a presence in Alberta include (capacity follows in brackets): United Grain Growers Limited (0.26 Mt), Cargill (0.24 Mt), and AgPro Grain (0.21 Mt).

ALBERTA: AREA SEEDED

| | 1998 | 1999 | 2000 |
|------------------------------------|-----------------------------|-----------------|----------------|
| |thousand hectares..... | | |
| Winter Wheat | 28.3 | 24.3 | 26.3 |
| Durum | 424.9 | 303.5 | 404.7 |
| Spring Wheat: | 2,302.6 | 2,573.9 | 2,488.7 |
| <i>CW Red Spring</i> | 1,728.8 | 2,063.9 | 2,003.2 |
| <i>Prairie Spring</i> | 416.0 | 364.2 | 263.0 |
| <i>CW Extra Strong</i> | 101.2 | 101.2 | 141.6 |
| <i>CW Soft White Spring</i> | 36.4 | 22.3 | 20.2 |
| <i>Other Spring</i> | 20.2 | 22.3 | 60.7 |
| Total Wheat | 2,755.8 | 2,901.7 | 2,919.7 |
| Oats | 546.3 | 566.6 | 526.1 |
| Barley | 2,104.4 | 1,922.3 | 2,185.3 |
| Rye (all) | 58.7 | 54.6 | 54.7 |
| Mixed Grains | 80.9 | 101.2 | 121.4 |
| Corn | 2.0 | 6.1 | 6.1 |
| Total Coarse Grains | 2,792.3 | 2,650.8 | 2,893.6 |
| Flax ^{1/} | 28.3 | 32.4 | 14.2 |
| Canola | 1,760.4 | 1,841.3 | 1,537.8 |
| Total Oilseeds | 1,788.7 | 1,873.7 | 1,552.0 |
| TOTAL GRAINS & OILSEEDS | 7,336.8 | 7,426.2 | 7,365.3 |
| Dry Peas | 206.3 | 190.1 | 267.1 |
| Coloured Beans | 18.2 | 19.0 | 18.2 |
| Lentils | 8.1 | 10.1 | 10.9 |
| Mustard Seed | 44.5 | 40.5 | 22.3 |
| Sunflower Seed | 2.0 | 2.0 | 2.8 |
| Canary Seed | 8.1 | 6.1 | 6.1 |
| Chick Peas | 1.5 | 8.0 | 20.2 |
| Total Special Crops | 288.7 | 275.8 | 347.6 |
| TOTAL CROPS | 7,625.5 | 7,702.0 | 7,712.9 |
| Summerfallow | 1,335.5 | 1,174.0 | 1,113.0 |
| Tame Hay | 1,871.7 | 2,225.8 | n/a |
| Potatoes | 13.4 | 17.4 | 20.2 |
| Sugar Beets | 18.2 | 18.2 | 18.2 |
| TOTAL AREA | 10,864.3 | 11,137.4 | 8,864.3 |

^{1/} excludes solin

Source: Statistics Canada

Number of Farms

According to the Statistics Canada Whole Farm Data Base, in 1998, there were 54,440 farms in Alberta with revenues over \$10,000, a 4.3% decrease since 1990. In comparison, the number of farms in Canada with revenues over \$10,000 has decreased by only 0.5% since 1990. In 1998, 23.6% of Canada's farms with revenues over \$10,000 were located in Alberta, and 23.0% of the farms with revenues over \$500,000 were in Alberta.

Farm Income

In 1998, about 44.1% of farming operations with gross revenues over \$10,000 earned more than 50% of their revenues from cattle, while 37.7% of farming operations received the majority of their revenue from grains and oilseeds. Only 1.8% were classified as hog operations, 1.5% as dairy, and less than 1% as poultry and eggs. By comparison, across Canada, 41.5% of farms were classified as grain and oilseed farms, 27.5% as livestock, 8.8% as dairy, 3.1% as hog farms, and 1.8% as poultry and eggs.

For 1999, total farm receipts in Alberta are estimated at \$6.51 billion, with receipts from crop production at \$2.34 billion and livestock at \$3.95 billion. Realized net income for 1999 was \$71 million, about 11% of the 5-year (1994-1998) average. According to Agriculture and Agri-Food Canada forecasts published in July 2000, realized net income for 2000 is expected to increase to \$665 million, primarily due to an increase in government transfers, and an increase in expected livestock receipts.

Farmland Values

For the period of January 1 to July 1, 2000, farmland values in Alberta increased by 2.8%, compared to the national average of only 1.3%. Alberta continues to have the strongest land market of the western provinces, with the recent increase in farmland values marking the seventh consecutive year of rising farmland values. A decrease in land values has not occurred since July 1993. Strong off-farm incomes and an active provincial economy have contributed to higher values near urban areas. Farmland values in southern and central Alberta are increasing due to

| ALBERTA: USE OF FARMLAND | | | | |
|-----------------------------|--------|--------|--------|--------|
| | 1981 | 1986 | 1991 | 1996 |
|square kilometres..... | | | | |
| Total Area of Farms | 19,109 | 20,656 | 20,811 | 21,030 |
| Land in Crops | 8,441 | 9,163 | 9,292 | 9,547 |
| Tame Hay and Seeded Pasture | 1,581 | 1,377 | 1,743 | 1,915 |
| Summerfallow | 2,206 | 2,127 | 1,771 | 1,437 |
| All Other Agricultural Land | 6,881 | 7,989 | 8,005 | 8,132 |
| Source: Statistics Canada | | | | |

various factors. Irrigated lands are in demand and the possibility of irrigation district expansion has increased the value of some dry land in adjoining areas. Strong beef prices have resulted in a high demand for forage and grazing lands. In northern Alberta, farmland values are stable or have slightly decreased due to two years of poor crops as a result of inclement weather.

Area Seeded

Total area seeded to grains, oilseeds and special crops increased marginally from 7.40 Mha in 1990 to 7.71 Mha in 2000, primarily due to a decrease in summerfallow. Summerfallow has dropped 45% since 1990 to 1.1 Mha in 2000, while the area seeded to tame hay increased 24% between 1990 and 1999 to 2.23 Mha. In general, between 1990 and 1994, producers substituted oilseeds (canola and flax), at the expense of wheat area, while the area seeded to coarse grains (barley, oats, rye, corn and mixed grains) fell less sharply. In 1995 and 1996, the reverse was true, with area seeded to oilseeds diminishing, while the area seeded to wheat and coarse grains increased. Until the sharp decrease in area seeded to oilseeds in 2000, seeding patterns remained fairly steady. The area seeded to special crops (dry peas, dry beans, lentils, mustard seed, sunflower seed, canary seed and chick peas) has increased almost fivefold since 1990, but remains low at only 347,600 ha in 2000.

GRAINS, OILSEEDS, AND SPECIAL CROPS PRODUCTION AND PROCESSING

Wheat

In terms of production, wheat is the main crop in Alberta and represents about 25% of Canadian production, versus 55% in Saskatchewan. Alberta has significant seeded area of **hard red spring wheat** and **durum**. **Winter wheat** is also grown successfully, principally in southern Alberta.

In 2000, the seeded area for all wheat was 2.92 Mha, with 2.49 Mha of spring wheat, 404,700 ha of durum wheat and 26,300 ha of winter wheat.

Of the 2.49 Mha of **spring wheat** seeded in 2000, approximately 80% is seeded to **Canada Western Red Spring**, with the balance sown to Prairie Spring, Extra Strong, and Soft White Spring varieties. Since reaching a record 194,200 ha in 1987, the area seeded to **winter wheat** has dropped dramatically to only 26,300 ha in 2000. Over the past 20 years, the production of wheat, excluding durum has remained fairly steady, ranging from 4.6 Mt in 1984 to a record 7.3 Mt in 1999. For 2000, production is expected to total 5.9 Mt, due to a dramatic reduction in yields as a result of very dry growing conditions throughout the spring and summer of 2000 in southern Alberta.

Between 1992 and 1998, the area seeded to **durum** increased 83%, to a record 424,900 ha. In 2000, the area seeded to durum was 404,700 ha, and production is expected to total 707,600 t.

Currently, there are four main **flour mills** in Alberta. ADM milling operates two mills, one in Calgary and the other in Medicine Hat, API Grain Processors is located at Red Deer, and Ellison Milling, a division of Parish and Heimbecker is in Lethbridge. Together, these four mills have a combined capacity of 1,375 tonnes per day (t/day). Based on the published capacities of the 27 largest mills in Canada, Alberta has about 16% of Canada's milling capacity, while it produces about 25% of Canada's wheat. Throughout the province there are at least 6 other flour processing operations that produce wheat flour, organic wheat flour, barley flour, or oat flour.

Ellison Milling Co. of Lethbridge, Alberta also mills durum wheat. With a 177 t capacity, Ellison has about 19% of Canada's durum milling capacity, and 44% of Western Canada's durum milling capacity. As well, both of Western Canada's major pasta plants are located in Alberta. Borden Foods Ltd. in Lethbridge, and Prairie Harvest in Edmonton, are two of Canada's six major pasta plants.

Coarse Grains

The area seeded to coarse grains has remained fairly constant throughout the 1990s, decreasing between 1990 and 1995, and after a brief increase in area in 1996, decreasing further until 1999. For 2000, seeded area is 2.89 Mha and total production of coarse grains is 6.29 Mt, a 10% decrease since 1999 due to a reduction in yields.

Barley is the most important coarse grain produced, with 2.19 Mha seeded in 2000, a 14% increase over 1999. Production of barley fell 9% to 5.44 Mt, due to a dramatic decrease in yields.

Oats are also an important crop, with 526,100 ha seeded in 2000. While the area seeded to **rye** has been decreasing, 29% of all rye planted in Canada was seeded in Alberta.

Alberta is Canada's leading province for barley production, and the majority is fed to **livestock**. In addition to its many beef ranches and feedlots, Alberta is also a leading producer of **hogs** and **sheep**. Because of strong demand for feed barley in Western Canada, a growing livestock industry, and high transportation costs, very little feed barley is exported.

On average, 12% of the barley grown in Alberta is selected for malt purposes. As domestic processors typically prefer two-row malting varieties, more than 90% of the barley grown in Alberta is two-row. Two of Canada's six **malting plants**, Canada Malting in Calgary and Westcan Malting in Alix, are located in Alberta. Together the two plants have a malting capacity of 1,230 t/day, and produce about 35% of Canada's malt.

Alberta is Canada's second largest producer of oats, and over 80% is fed to livestock. A small amount is used for human consumption, mainly as rolled

oats, oat bran and oatmeal. Approximately 25% of Western Canada's oats are produced in Alberta, and about 25% of the oat processing takes place in Alberta. Two of the seven major **oat processing facilities** in Western Canada, Alberta Oats Ltd. of Edmonton and Westglen Milling of Barrhead, are located in Alberta, with a combined capacity of 430 t/day. Alberta Oats primarily produces groats, while Westglen Milling produces bran, flakes, and flour.

Oilseeds

The area seeded to oilseed crops increased substantially throughout the early 1990s to reach a record seeded area of 2.05 Mha in 1994. Since then, there has been some contraction in area seeded and only 1.55 Mha were seeded in 2000. The production of oilseeds fell from 3.01 Mt in 1999 to 2.10 Mt in 2000, due to sharp reductions in both yield and area seeded.

Canola is the most important oilseed produced and 1.54 Mha were seeded in 2000, a 16% decrease from 1999. Production fell 30% to 2.09 Mt. Limited amounts of **flaxseed** are also produced.

There are numerous **companies processing oilseeds** and producing edible oil products in Alberta. Larger operations include: ADM at Lloydminster, CanAmara Foods at Fort Saskatchewan and Edmonton, and Canbra Foods in Lethbridge. There are also other companies producing specialty oils, such as organic canola oil and flaxseed oil.

Special Crops

Special crops, particularly **dry peas**, have

become an important cropping option for farmers since the early 1990s. Dry peas are an important part of the crop rotation, providing the benefit of nitrogen fixation, which has the potential to reduce farm input costs.

In Alberta, the area seeded to dry peas has increased from 34,400 ha in 1990 to a record seeded area of 267,100 ha in 2000. Other special crops that are grown, include: **mustard seed**, **chick peas**, **dry beans**, **lentils**, **canary seed** and **sunflower seed**. In 2000, Alberta will produce approximately 20% of Canada's dry peas, 15% of Canada's dry beans and 10% of the mustard seed.

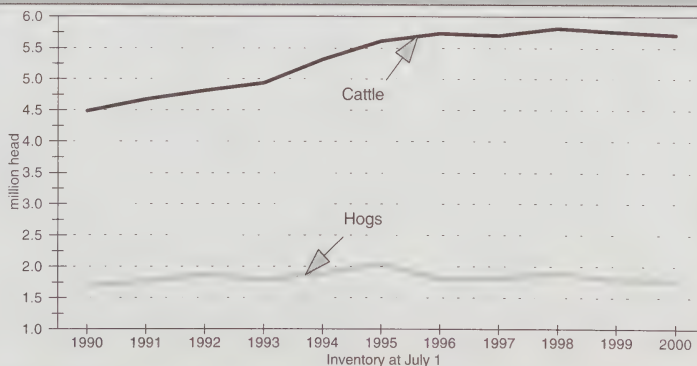
Other Crops

Irrigation makes the production of root crops such as **sugar beets** and **potatoes** possible. The area seeded to sugar beets has increased from around 13,000 ha in 1990 to over 18,000 ha in 2000, and in 1999 contributed \$29.65 million in farm cash receipts. The area seeded to potatoes remained fairly constant at around 12,000 ha throughout most of the 1990s, but has expanded 61% since 1997 to 20,230 ha in 2000, in response to domestic processing demand. In 1999, potatoes contributed \$78.41 million in farm cash receipts.

LIVESTOCK PRODUCTION AND PROCESSING

In 1999, livestock production in Alberta generated approximately \$3.95 billion in farm cash receipts, accounting for 61% of the province's total farm cash receipts. With approximately 40% of Canada's

ALBERTA: CATTLE AND HOGS INVENTORIES



Source: Statistics Canada

cattle, Alberta is Canada's largest cattle producer.

Cattle

In 1998, about 44% of the farms in Alberta were classified as cattle farms, according to the Statistics Canada Whole Farm Data Base. Cattle inventories in Alberta increased throughout the 1990s, increasing 29% between 1990 and 1998. Since 1998, cattle inventories have decreased slightly from the record 5.81 million head (Mhd) at July 1, 1998. In 1999, farm cash receipts for cattle and calves totalled \$3 billion, or 46% of total receipts. As of July 1, 2000, cattle inventories were at 5.71 Mhd.

Across Canada, cattle herds have been in a contraction phase for the past 4 years with inventories falling 5% since 1996. Over the next year, the cattle cycle is expected to move from the "contraction" phase to the "turn-around" phase of a typical cattle cycle, and more heifers will be held back for breeding. This will set the stage for several years of herd expansion in Canada and Alberta, which is expected to commence by 2002.

The number of beef animals on feedlot operations has grown 26% since 1995, to reach 1.04 Mhd on feeder, stocker and finish operations, and another 985,000 head on backgrounding feedlots at July 1, 2000. In comparison, the total number of cattle and calves in Alberta only increased 2% during that time period, because of a decrease in the number of breeding stock on cow and calf operations. While feedlot operations are located throughout the province, there is a strong concentration around Lethbridge in southern Alberta, and a growing number of finishing operations in central Alberta.

There has been a dramatic expansion in the **meat packing industry**, and in 1999, manufacturing shipments of meat and meat products totalled \$3.86 billion, roughly 50% of Alberta's food and beverage industries' shipments and 11% of Alberta's total manufacturing shipments. In 1999, 61% of Canada's cattle, and 91% of Western Canada's cattle were slaughtered in Alberta. About 2.29 million cattle were slaughtered in federally inspected establishments, while a further 27,448 were slaughtered in provincially inspected establishments.

Federally inspected cattle slaughter plants include: Lacombe Meat Research Centre of Lacombe, Lakeside Packers Ltd. of Brooks, Edmonton Meat Packing Ltd. of Edmonton, Cargill Ltd. of High River, XL Foods Inc. of Calgary and Bouvy Export Calgary Ltd. of Fort Macleod.

Hogs

In 1998, 1.8% of the farms in Alberta were classified as hog farms. Throughout most of the 1990s, hog numbers have been more or less stable, and Alberta's share of Canada's hog population has fallen. In 1999, farm cash receipts for hogs totalled \$344.3 million, or 5.3% of all receipts.

There are five federally inspected **pork slaughter and processing plants** operating in Alberta. They include: Fletcher's Fine Foods Ltd., of Red Deer, Maple Leaf Meats Inc. of Lethbridge, J & M Meats International Ltd. of Warburg, Lacombe Meat Research Centre of Lacombe and Trochu Meat Processors Ltd. of Trochu. In 1999, 1.95 million hogs were slaughtered in these establishments, while another 183,730 hogs were slaughtered in the numerous provincially inspected establishments, totalling about 11% of the hogs slaughtered in Canada.

PROCESSED FOOD AND BEVERAGE INDUSTRIES

Food processing is Alberta's largest manufacturing sector, accounting for \$7.77 billion in manufacturing shipments in 1999, almost 22% of Alberta's total manufacturing shipments. The food and beverage industries employ about 17,000 people in over 400 companies. Specifically, in southern Alberta, there are more than 130 agri-food processing companies. While establishments in the food processing industry are diverse, the meat packing and processing sector accounts for about 50% of Alberta's food processing sales. Other large sectors include: dairy, feed, cereal, grain and flour, canola processing, and frozen fruits and vegetables, including potatoes.

AGRI-FOOD EXPORTS

Alberta exported \$4.32 billion worth of agri-food products in 1999, about 20% of Canada's total agri-food shipments. For the first time meat exports, valued at \$1.39 billion, outweighed bulk grain exports, valued at \$1.02 billion. With the growth of

livestock processing capacity, live animal exports have decreased dramatically. Alberta's top trading partners are the United States, Japan, China, and Mexico.

OUTLOOK

Alberta has a dominant position in the growing Western Canadian market of nine million people. The province is also relatively close to the enormous markets of the Pacific Northwest, California and central Canada. Furthermore, the Pacific Rim is easily accessible, through rail transportation to the ports of Vancouver and Prince Rupert.

The immense size of Alberta's agricultural land base will ensure continued growth for the food and beverage industry. With more than 20 Mha currently used for crop and livestock production, there is considerable room for growth in value-added food and beverage manufacturing. Continued livestock expansion is expected, and the increase in production will continue to be matched by an increase in processing.

For more information please contact:

Deanna Harrison
Market Analyst
Phone: (204) 983-8474
E-mail: harrisonsd@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

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Market Analysis Division,
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500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524
Editor: Gordon MacMichael
E-mail: macmichaelg@em.agr.ca

Director: Maggie Liu
Chief: Fred Oleson

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AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Strategic Policy Branch - Market Analysis Division - Winnipeg, Manitoba

CANADIAN GRAINS AND OILSEEDS OUTLOOK : 2000-2001 NOVEMBER 27, 2000

Production of grains and oilseeds in Canada is estimated by Statistics Canada (STC) at 61.4 million tonnes (Mt) compared to 66.3 Mt in 1999-00 and the 10-year average of 60.7 Mt. In Western Canada, production of spring wheat, canola, flaxseed, oats and rye is lower than 1999-00 while the production of durum and barley is higher. The proportion of the Canada Western Red Spring wheat and durum crops falling into the top two grades is below both 1999-00 and the average. However, protein levels for both wheat and durum are reported to be above 1999-00 and near the average. In Eastern Canada, the production of corn and soybeans decreased due to the abnormally wet and cold growing conditions during 2000-01, with quality expected to be below normal.

Total exports of grains and oilseeds are forecast to decline slightly, to 27.7 Mt in 2000-01. Exports of durum, barley, canola, flaxseed and soybeans are expected to increase, while exports of spring wheat and oats are forecast to decrease from 1999-00. Average prices for spring wheat, durum, coarse grains, malting barley and flaxseed are expected to rise. Prices for canola and soybean prices are expected to fall. Although EU domestic subsidies remain high, to-date it has not used export subsidies for wheat and barley but has granted subsidies on oats. US Loan Deficiency Payments for 2000-01 have averaged US\$0.44/bu on 75% of the wheat crop, US\$0.35/bu on 39% of the corn crop, US\$0.28/bu on 65% of the barley crop, US\$0.30/bu on 76% of the oat crop and US\$0.94/bu on 48% of the soybean crop.

WHEAT (ex-durum)

Supplies have declined by 8% as the 11% decrease in production was partially offset by slightly higher carry-in stocks. Domestic use is forecast to remain at an historically high level. Exports are forecast to fall by 8%, to 13.5 Mt, well below the 10-year average of 16 Mt. Carry-out stocks are forecast to fall by 14% to a relatively low level of 4.8 Mt. The Canadian Wheat Board (CWB) Nov. 2000-01 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is up by \$8/t from Oct., at \$192/t, in-store Vancouver/St. Lawrence, \$26/t above 1999-00. The Nov. 1 Ontario Wheat Producers' Marketing Board's (OWPMB) Estimated Pool Return for No.1 CEWW is \$105-115/t, vs. the 1999-00 final realized price of \$106/t. Due to fusarium damage, about 0.3 Mt or 30% of the wheat delivered to the OWPMB in 2000-01 is expected to grade feed.

DURUM

Supplies have increased by 16% from 1999-00 to a record high, due to a 28% increase in production to 5.5 Mt, the 2nd highest on record. Domestic feed use is forecast to increase, with a larger than normal proportion of the crop expected to be in the lower grades, due to sprouting. Exports are forecast to rise by 6%, to 3.8 Mt, due to increased import demand from North Africa. Carry-out stocks are forecast to increase to a near-record 2.2 Mt. The CWB 2000-01 PRO for No.1 CWAD 11.5% protein is \$210/t, up \$5/t from Oct. and up \$5/t from 1999-00.

BARLEY

Barley supplies are 3% above 1999-00, due to higher production and carry-in stocks. Domestic feed barley use is expected to be higher than in 1999-00, partly due to lower corn use in western Canada. Livestock numbers in western Canada are forecast to increase late in the year. Feed barley exports are expected to increase. Malting barley exports are also expected to rise due to higher demand by China and the US. Increased competition in the malting barley market from Australia, due to increased supplies, is expected to be partly offset by reduced competition from the EU where the quality of the crop fell because of wet harvest conditions. Carry-out stocks are forecast to decrease. The off-Board feed barley price is forecast to average \$120/t vs. \$110/t for 1999-00. The Nov. CWB PRO for No.1 CW Feed Barley increased by \$10/t from Oct. to \$142/t vs. \$135/t for 1999-00. The PRO for Special Select Two Row Designated Barley increased by \$6/t from Oct. to \$207/t vs. \$188/t for 1999-00.

OATS

Supplies are slightly lower due to lower production and carry-in stocks. Exports are expected to fall slightly due to increased competition from the EU in the US market for feed oats. Carry-out stocks are expected to decrease. Average oat prices are expected to be similar to 1999-00.

CORN

Supplies are 5% lower than 1999-00 due to lower production, despite historically high carry-in stocks. Food and industrial use is forecast to rise. In Western Canada, imports and feed use of corn are expected to decrease significantly due to the provisional duty imposed by Canada Customs and Revenue Agency on Nov. 7 of US\$1.58/bu on grain corn imported from the US. The provisional duty applies to imports west of the Manitoba/Ontario border. In Ontario and

Quebec, imports of corn are expected to increase due to lower production and lower quality of the crop. Chatham corn prices are expected to increase due to lower supplies and higher US corn prices.

CANOLA

Canola supplies have declined by 4% to 9.1 Mt, with the 21% decrease in production partly offset by record-high carry-in stocks. Domestic crush is forecast to rise to a near record 3.1 Mt, due to abundant supplies and profitable crush margins, despite low vegetable oil prices. Exports are expected to rise due to less competition from Australia and the EU. Carry-out stocks are forecast to fall to 1.4 Mt, but remain burdensome. Canola prices are expected to decrease.

FLAXSEED (excluding Solin)

Flaxseed supplies have decreased by 7%, with the 31% decrease in production partly offset by higher carry-in stocks. Exports are expected to rise to near average levels due to higher imports by the EU. Carry-out stocks are forecast to fall by nearly 40%, and flaxseed prices are expected to increase from 1999-00.

SOYBEANS

Soybean supplies are slightly below 1999-00 due to lower production in Ontario related to wet and cold conditions. Imports are expected to rise. Exports are forecast to increase to a record high due to support from niche markets. Domestic crush is forecast to remain stable due to profitable crush margins and adequate supplies. Soybean prices are expected to decrease slightly.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains..Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca

CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS NOVEMBER 27, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1998-1999 | 2,914 | 2.07 | 6,042 | 3 | 6,802 | 3,851 | 236 | | | | |
| 1999-2000 | 1,760 | 2.44 | 4,300 | 9 | 6,257 | 3,575 | 248 | 598 | 1,003 | 1,948 | 201 |
| 2000-2001f | 2,580 | 2.13 | 5,493 | 1 | 7,286 | 3,800 | 255 | 392 791 | 890 1,286 | 1,792 2,200 | 205 * 210 ** |
| Wheat Except Durum | | | | | | | | | | | |
| 1998-1999 | 7,764 | 2.32 | 18,040 | 77 | 23,369 | 10,872 | 2,628 | 3,554 | 7,010 | 5,487 | 184 |
| 1999-2000 | 8,606 | 2.63 | 22,600 | 6 | 28,093 | 14,737 | 2,690 | 4,243 | 7,753 | 5,603 | 166 * |
| 2000-2001f | 8,307 | 2.43 | 20,223 | 50 | 25,876 | 13,500 | 2,700 | 4,016 | 7,576 | 4,800 | 192 ** |
| All Wheat | | | | | | | | | | | |
| 1998-1999 | 10,678 | 2.26 | 24,082 | 80 | 30,171 | 14,723 | 2,864 | 4,152 | 8,013 | 7,435 | |
| 1999-2000 | 10,367 | 2.59 | 26,900 | 14 | 34,349 | 18,312 | 2,938 | 4,635 | 8,643 | 7,395 | |
| 2000-2001f | 10,887 | 2.36 | 25,716 | 51 | 33,162 | 17,300 | 2,955 | 4,807 | 8,862 | 7,000 | |
| Barley | | | | | | | | | | | |
| 1998-1999 | 4,272 | 2.98 | 12,709 | 55 | 15,223 | 1,696 | 376 | 10,033 | 10,790 | 2,737 | 117 |
| 1999-2000 | 4,069 | 3.24 | 13,196 | 33 | 15,966 | 2,367 | 311 | 9,775 | 10,528 | 3,071 | 110 |
| 2000-2001f | 4,545 | 2.95 | 13,388 | 30 | 16,489 | 2,850 | 360 | 10,024 | 10,789 | 2,850 | 110-130 |
| Corn | | | | | | | | | | | |
| 1998-1999 | 1,118 | 8.01 | 8,952 | 893 | 10,737 | 827 | 1,845 | 7,149 | 9,025 | 885 | 110 |
| 1999-2000 | 1,141 | 8.03 | 9,161 | 1,021 | 11,067 | 240 | 2,020 | 7,225 | 9,276 | 1,552 | 107 |
| 2000-2001f | 1,145 | 6.91 | 7,910 | 1,000 | 10,461 | 200 | 2,100 | 7,030 | 9,161 | 1,100 | 105-125 |
| Oats | | | | | | | | | | | |
| 1998-1999 | 1,592 | 2.49 | 3,958 | 3 | 4,807 | 1,517 | 201 | 1,815 | 2,202 | 1,088 | 132 |
| 1999-2000 | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,569 | 167 | 1,779 | 2,108 | 1,057 | 128 |
| 2000-2001f | 1,325 | 2.55 | 3,384 | 3 | 4,444 | 1,500 | 175 | 1,699 | 2,044 | 900 | 120-140 |
| Rye | | | | | | | | | | | |
| 1998-1999 | 204 | 1.96 | 398 | 0 | 462 | 80 | 57 | 139 | 215 | 166 | |
| 1999-2000 | 169 | 2.29 | 387 | 4 | 557 | 86 | 68 | 222 | 309 | 162 | |
| 2000-2001f | 117 | 2.23 | 260 | 1 | 423 | 80 | 75 | 147 | 243 | 100 | |
| Mixed Grains | | | | | | | | | | | |
| 1998-1999 | 198 | 2.77 | 548 | 0 | 548 | 0 | 0 | 548 | 548 | 0 | |
| 1999-2000 | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001f | 135 | 2.86 | 385 | 0 | 385 | 0 | 0 | 385 | 385 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1998-1999 | 7,384 | 3.60 | 26,565 | 952 | 31,777 | 4,120 | 2,478 | 19,683 | 22,781 | 4,876 | |
| 1999-2000 | 6,930 | 3.87 | 26,832 | 1,062 | 32,770 | 4,261 | 2,566 | 19,449 | 22,668 | 5,842 | |
| 2000-2001f | 7,266 | 3.49 | 25,326 | 1,034 | 32,202 | 4,630 | 2,710 | 19,285 | 22,622 | 4,950 | |
| Canola | | | | | | | | | | | |
| 1998-1999 | 5,421 | 1.41 | 7,643 | 157 | 8,163 | 3,900 | 3,063 | 382 | 3,631 | 633 | 373 |
| 1999-2000 | 5,564 | 1.58 | 8,798 | 124 | 9,556 | 3,892 | 2,983 | 575 | 3,597 | 2,066 | 288 |
| 2000-2001f | 4,854 | 1.43 | 6,927 | 150 | 9,143 | 4,100 | 3,100 | 503 | 3,643 | 1,400 | 250-280 |
| Flaxseed | | | | | | | | | | | |
| 1998-1999 | 874 | 1.24 | 1,081 | 6 | 1,127 | 727 | N/A | N/A | 249 | 151 | 313 |
| 1999-2000 | 777 | 1.32 | 1,022 | 2 | 1,175 | 568 | N/A | N/A | 226 | 381 | 237 |
| 2000-2001f | 579 | 1.22 | 707 | 3 | 1,091 | 650 | N/A | N/A | 216 | 225 | 230-260 |
| Soybeans | | | | | | | | | | | |
| 1998-1999 | 980 | 2.79 | 2,737 | 254 | 3,179 | 868 | 1,576 | 396 | 2,069 | 242 | 266 |
| 1999-2000 | 1,004 | 2.77 | 2,781 | 455 | 3,478 | 950 | 1,712 | 487 | 2,271 | 257 | 256 |
| 2000-2001f | 1,044 | 2.60 | 2,713 | 475 | 3,446 | 1,000 | 1,725 | 451 | 2,246 | 200 | 235-265 |
| Total Oilseeds | | | | | | | | | | | |
| 1998-1999 | 7,275 | 1.58 | 11,461 | 417 | 12,469 | 5,496 | 4,639 | 778 | 5,948 | 1,026 | |
| 1999-2000 | 7,345 | 1.72 | 12,602 | 581 | 14,208 | 5,410 | 4,695 | 1,062 | 6,094 | 2,704 | |
| 2000-2001f | 6,477 | 1.60 | 10,348 | 628 | 13,680 | 5,750 | 4,825 | 954 | 6,105 | 1,825 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1998-1999 | 25,336 | 2.45 | 62,108 | 1,448 | 74,417 | 24,339 | 9,980 | 24,612 | 36,742 | 13,337 | |
| 1999-2000 | 24,642 | 2.69 | 66,334 | 1,657 | 81,328 | 27,982 | 10,200 | 25,145 | 37,404 | 15,941 | |
| 2000-2001f | 24,629 | 2.49 | 61,390 | 1,713 | 79,045 | 27,680 | 10,490 | 25,046 | 37,589 | 13,776 | |

(a) Aug.-July crop year except corn and soybeans which are Sept. - Aug.
 (b) Excludes imports of products.
 (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.
 (d) Includes seed use.
 (e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver);
 Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (No. 3 CW, WCE cash Track Minneapolis);
 Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB Pool Return Outlook (PRO): September 2000.
 ** - CWB PRO: November 2000, for No.1 CWRS and No.1 CWAD with 11.5% protein. This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | As of Monday November 20, 2000 | | | | | | | | | |
|--------------------|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|--------------------------------|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Vancouver B.C. | This week | FOB | (1) 141.66 | N/A | 137.16 | (3) 175.00 | | 337.75 | (7) 189.03 | 114.00 | 355.00 | (4) 735.00 | 370.00 | | | | | | | | | | | | | | |
| | Week ago | | (1) 141.66 | N/A | 137.16 | (3) 175.00 | | 329.75 | (7) 183.33 | 114.00 | 355.00 | (4) 735.00 | 370.00 | | | | | | | | | | | | | | |
| Calgary | This week | FOB | (1) 118.50 | 105.00 | 114.00 | (3) 158.00 | | 337.00 | 179.00 | 315.00 | 315.00 | (4) 760.00 | 450.00 | | | | | | | | | | | | | | |
| | Week ago | | (1) 118.50 | 105.00 | 114.00 | (3) 144.00 | | 320.50 | 179.00 | 315.00 | 315.00 | (4) 760.00 | 450.00 | | | | | | | | | | | | | | |
| Saskatoon | This week | FOB | (1) 116.50 | 104.50 | 97.00 | (3) 140.00 | | 331.50 | 182.00 | 315.00 | 315.00 | (4) N/A | 450.00 | | | | | | | | | | | | | | |
| | Week ago | | (1) 116.50 | 104.50 | 97.00 | (3) 128.00 | | 313.50 | 182.00 | 315.00 | 315.00 | (4) N/A | 450.00 | | | | | | | | | | | | | | |
| Melfort Sask. | This week | FOB | (1) 125.70 | 105.14 | 117.00 | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 123.50 | 105.14 | 112.40 | | | | | | | | | | | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | (1) 113.05 | 103.91 | 109.75 | (3) 135.00 | | 313.50 | 176.00 | | 315.00 | (4) 712.50 | 420.00 | | | | | | | | | | | | | | |
| | Week ago | | (1) 106.05 | 108.07 | 102.95 | (3) 120.00 | | 295.50 | 176.00 | | 315.00 | (4) 712.50 | 420.00 | | | | | | | | | | | | | | |
| Thunder Bay Ont. | This week | Track | (1) 133.70 | 123.10 | 127.00 | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 131.50 | 123.10 | 122.40 | | | | | | | | | | | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | (3) 137.05 | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | Vessel | | | | (3) 130.36 | | | | | | | | | | | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | (1) 161.80 | 160.00 | 145.00 | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 158.00 | 160.00 | 140.40 | | | | | | | | | | | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | (2) 130.01 | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | (2) 127.65 | | | | | | | | | | | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | 331.00 | (5) N/A | 435.00 | 520.00 | 139.00 | 195.00 | 440.00 | | | | | | | | | | |
| | Week ago | | | | | | | | | | 331.00 | (5) N/A | 435.00 | 510.00 | 129.00 | 195.00 | 440.00 | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | FOB | 321.65 | 190.48 | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | 306.11 | 181.55 | | | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | (2) 131.27 | | | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | (2) 126.27 | | | | | | | | | | | | | | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | FOB | 337.34 | 206.85 | 105.25 | 331.00 | (5) 610.00 | 259.00 | 520.00 | 141.00 | 220.00 | 440.00 | | | | | | | | | | |
| | Week ago | | | | | | | 323.23 | 194.55 | 107.67 | 331.00 | (5) 610.00 | 259.00 | 510.00 | 131.00 | 220.00 | 430.00 | | | | | | | | | | |
| Trois-Riv. Que. | This week | In-store | (1) 163.70 | | 160.00 | (2) 156.88 | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 161.50 | | 155.40 | (2) 156.78 | | | | | | | | | | | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | (1) 162.87 | 106.00 | 145.63 | (2) 141.53 | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 158.33 | 102.67 | 141.18 | (2) 137.89 | | | | | | | | | | | | | | | | | | | | | |
| St-Hyacinthe, Que. | This week | In-store | (1) 165.70 | | 158.67 | (2) 153.54 | FOB | 334.51 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 160.00 | | 151.57 | (2) 152.85 | | 323.38 | | | | | | | | | | | | | | | | | | | |
| Quebec Que. | This week | Track | (1) 189.97 | 193.88 | 181.92 | (2) 173.92 | FOB | 358.85 | 230.15 | | 366.50 | | 380.00 | | | | | | | | | | | | | | |
| | Week ago | | (1) 187.04 | 193.88 | 180.12 | (2) 174.08 | | 349.98 | 230.87 | | 366.50 | | 380.00 | | | | | | | | | | | | | | |
| Truro N.S. | This week | Water | (1)N/A | N/A | N/A | 174.60 | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | & Truck | (1)N/A | N/A | N/A | 174.00 | | | | | | | | | | | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | (1) N/A | N/A | N/A | 164.60 | FOB | | | 282.25 | | (5) 599.25 | | | | | | | | | | | | | | | |
| | Week ago | | N/A | N/A | N/A | 166.00 | | | | 282.25 | | (5) 599.25 | | | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section;

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5589 as of November 20, 2000

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein - Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

| B. CASH PRICES AND REPLACEMENT VALUES | | | | As of Monday November 20, 2000 | | | | |
|---------------------------------------|--|--------------------------|--------|--------------------------------|----------|----|-----------|----------|
| PRAIRIE GRAINS | | | | | | | | |
| SELECTED POINT | | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay | | Track | WHEAT | 133.70 | 131.50 | | 121.90 | 119.00 |
| | | | OATS | 123.10 | 123.10 | | N/A | N/A |
| | | | BARLEY | 127.00 | 122.40 | | 113.50 | 108.40 |
| To: Bayports, Ont. | | In-store | WHEAT | 156.80 | 154.60 | 1. | 145.00 | 140.56 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 154.15 | 149.55 | 1. | 140.65 | 135.15 |
| Montreal, Que. | | In-store | WHEAT | 161.55 | 159.35 | 1. | 149.75 | 145.63 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 159.27 | 154.67 | 1. | 145.77 | 140.20 |
| Moncton, N.B | | Truck via Halifax | WHEAT | 184.02 | 181.82 | | 172.22 | 166.88 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 185.63 | 181.03 | | 172.13 | 161.73 |
| Truro, N.S. | | Truck via Halifax | WHEAT | 181.52 | 179.32 | | 169.72 | 164.38 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 180.75 | 176.15 | | 167.25 | 159.23 |
| Halifax, N.S. | | In-store | WHEAT | 168.85 | 166.65 | 1. | 157.05 | 154.19 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 167.07 | 162.47 | 1. | 153.57 | 148.24 |
| Stephenville, Nfld. | | Track / Truck via Sydney | WHEAT | 228.63 | 226.43 | | 216.83 | 213.93 |
| | | | OATS | 229.30 | 229.30 | | N/A | N/A |
| | | | BARLEY | 234.14 | 229.54 | | 220.64 | 211.07 |
| From: Melfort, Sask. | | FOB | WHEAT | 125.70 | 123.50 | | 110.90 | 104.00 |
| | | | OATS | 105.14 | 105.14 | | 101.10 | 110.00 |
| | | | BARLEY | 117.00 | 112.40 | | 106.50 | 94.90 |
| To: Bayports, Ont. | | Track | WHEAT | 181.82 | 179.62 | | 167.02 | 160.10 |
| | | | OATS | 164.01 | 164.01 | | 159.97 | 175.37 |
| | | | BARLEY | 170.39 | 165.79 | | 159.89 | 151.70 |
| Montreal, Que. | | Track | WHEAT | 182.57 | 180.37 | | 167.77 | 160.86 |
| | | | OATS | 164.91 | 164.91 | | 160.87 | 176.27 |
| | | | BARLEY | 171.21 | 166.61 | | 160.71 | 152.52 |
| Moncton, N.B. | | Track | WHEAT | 203.75 | 201.55 | | 188.95 | 182.03 |
| | | | OATS | 188.25 | 188.25 | | 184.21 | 199.34 |
| | | | BARLEY | 183.32 | 178.72 | | 172.82 | 174.08 |
| Truro, N.S. | | Track | WHEAT | 203.92 | 201.72 | | 189.12 | 182.20 |
| | | | OATS | 189.22 | 189.22 | | 185.18 | 202.78 |
| | | | BARLEY | 196.94 | 192.34 | | 186.44 | 175.09 |
| Stephenville, Nfld | | Track / Truck via Sydney | WHEAT | 247.26 | 245.06 | | 232.46 | 225.53 |
| | | | OATS | 236.60 | 236.60 | | 232.56 | 247.69 |
| | | | BARLEY | 245.23 | 240.63 | | 234.73 | 223.39 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 137.05 | 130.36 | | 115.10 | 112.98 |
| To: Montreal, Que. (US Corn) | In-store | | 155.95 | 149.26 | 1. | N/A | 130.98 |
| From: Saginaw (Mi) | Track | | 118.02 | 113.32 | | 106.17 | 107.22 |
| To: Montreal, Que. (US Corn) | Track | | 145.56 | 140.86 | | 133.71 | 139.52 |
| From: Chatham | Track | | 130.01 | 127.65 | | N/A | 113.08 |
| To: Montreal, Que. | Track | | 152.90 | 150.54 | | 137.55 | 137.63 |

| | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 321.65 | 306.11 | | 305.34 | 254.52 |
| To: Montreal, Que. | Track | | 344.12 | 328.58 | | 327.81 | 278.19 |
| Moncton, N.B. | Track | | 361.43 | 345.89 | | 345.12 | 295.54 |
| Truro, N.S. | Track | | 364.40 | 348.86 | | 348.09 | 298.68 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 413.66 | 398.12 | | 397.35 | 345.98 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

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Vol. 13 No. 20

U.S. AGRICULTURE POLICIES: IMPACT ON SOYBEAN PRODUCTION

The production of soybeans in the U.S. has increased to a record high, despite the significant decrease in market prices. Although a number of factors have contributed to the increase in output, the high marketing loan rate for soybeans relative to corn and wheat, combined with other provisions introduced with the *Federal Agricultural Improvement and Reform (FAIR) Act* in 1996, has played a major role. The marketing loan rate has provided artificial support for soybeans during a period of weak market prices which would otherwise have discouraged soybean production. High loan deficiency payments (LDPs) have insulated producers from the impact of low market prices and encouraged increased soybean production which, in turn, has contributed to the pressure on global oilseed prices. This issue of the *Bi-weekly Bulletin* examines the relevant aspects of the U.S. FAIR Act, assesses the impact on U.S. soybean production, and the implications for Canada.

The U.S. FAIR Act was signed in April 1996. The main objective of the Act was to increase the planting and marketing flexibility for producers of wheat, corn, grain sorghum, barley, oats, rice, and upland cotton. Under the previous legislation certain government programs, which applied to wheat and corn, did not apply to soybeans, i.e. the Acreage Reduction Program (ARP) and the target price/deficiency payment program. The absence of these programs for soybeans artificially favoured program crops, especially corn.

The FAIR Act fundamentally changed U.S. agriculture policy through the removal of the ARP, the elimination of target prices and the introduction of, or increased focus on, marketing loan rates, the LDP program and production flexibility contracts. The loan rate for soybeans increased relative to that of wheat and corn. This has played a major role in the expansion of area seeded to soybeans, higher production, and the subsequent decline in soybean prices.

Production Flexibility Contracts (PFC)

Title 1 of the FAIR Act, *The Agriculture Marketing Transitions Act*, replaced the target price/deficiency payment program, which had been in place since the early 1970s, with a new program of decoupled payments which are not based on current production or market prices.

To receive these payments, and be eligible for loans on contract commodities, a producer had to enter into a PFC for 1996-2002. The PFC requires participating producers to comply with conservation, wetland and planting flexibility provisions, as well as keep the land in agricultural use. Land eligible to enter into a PFC includes: (1) land enrolled in the ARP for any of the crop years 1991 through 1995, (2) land considered planted under program rules (certified acreage), or (3) land that had been enrolled in the Conservation Reserve Program that had a crop acreage base associated with it. Producers receive PFC payments for seven years, 1996-2002, based on enrolled contract acreage and are not related to current plantings.

Under the FAIR Act, the ARP, in which producers were required to idle a portion of their cropland, as a condition for receipt of deficiency payments, was terminated. Deficiency payments equalled the difference between the target price and the higher of the loan rate or the market price. Participating producers are now permitted to plant 100% of their contract acreage plus any other cropland acreage on the farm to any crop (with limitations on fruits and vegetables) with no loss in payments as long as the producer does not violate conservation and wetland provisions. Planting flexibility or ability to adjust crop rotations increased significantly. Under the previous legislation, producers had flexibility

on only 15% of their base acreage without losing part of their deficiency payments.

The cumulative budget for PFCs is US\$36 billion over the 7 period from 1996 to 2002, beginning with the one-time sign up in 1996. PFCs are not tied to current production levels and are therefore decoupled. However, producers are eligible to receive their PFC payments regardless of whether or not a crop is planted. PFC have supported higher production via raising producer incomes and increasing the access to capital to maintain or expand the current level of operation. Producers are more willing to make investments and lenders are more willing to make loans.

Marketing Loans

Under the FAIR Act, the USDA's Farm Service Agency, on behalf of the Commodity Credit Corporation (CCC), administers nonrecourse marketing assistance loans for 17 crops. Marketing loan repayment and LDP provisions apply to each of these commodities except for cotton.

Nonrecourse marketing loans were originally designed to provide producers with cash flow immediately after harvest, eliminating the need to sell the grain to pay bills when prices were at post-harvest lows. These loans allow producers to store the grain after harvest, pledging the



crop as collateral, and market the crop in an orderly manner throughout the crop year. The producer could repay the loan plus interest with the proceeds of the sale.

Marketing assistance loans for each of the 16 commodities are nonrecourse in nature. That is, in lieu of selling the grain and repaying the marketing loan, a producer may deliver the quantity of grain pledged as collateral to the CCC. Producers used to take advantage of this option and default on their grain when prices were near or below the marketing loan rate which resulted in the accumulation of inventory by the CCC. It also led to high costs of storage for the government.

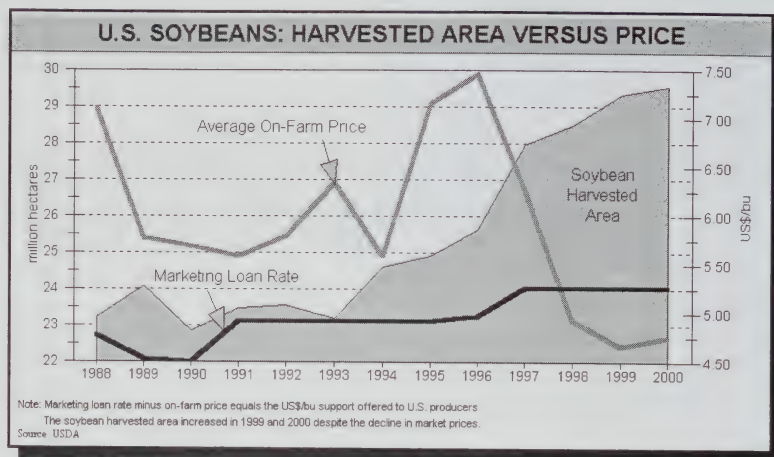
Provisions of the marketing loan, that allow repayment of the marketing loan rate plus accrued interest or the posted county price (local market price) at maturity of the loan, whichever is lower, were retained. Instead of taking out a nonrecourse marketing loan and defaulting on the crop at a later time, the producer may choose to receive a direct LDP when the loan rate exceeds the posted county price (i.e. the marketing loan gain). The loan rate becomes an effective price floor for U.S. producers while the lower posted county price reflects the prevailing world market price.

A U.S. producer will obtain a return near the loan rate if he/she collects the LDP and sells the soybeans at the same time. However, U.S. producers can obtain returns above the loan rate by taking out a LDP or obtaining the marketing loan gain when prices are seasonally low, and then selling the crop later in the year when prices have risen.

Loan Rates and LDP

The soybean national loan rate is based upon the 85% formula but the minimum and maximum rates are set at US\$4.92 and \$5.92/bu. The national marketing loan rate for soybeans in the U.S. was US\$5.26/bu in 1999-2000 and 2000-2001.

The LDP is determined by deducting the posted county price from the local marketing loan rate. In 1999-2000, the U.S. paid out over US\$2.1 billion in LDP on 2.3 billion bushels of soybeans, which was about 88% of the total production.



The LDP averaged US\$0.91/bu or 17% of the national loan rate. The majority of LDPs were paid out between October 1999-January 2000. The weekly volume of LDP payouts peaked at 211 million bushels (Mbu) in the third week of October 1999 when the LDP averaged US\$0.90/bu.

changes by 0.265% for every 1% change in price. This implies that U.S. area

In 1999-2000, U.S. producers received US\$1.49 billion in nonrecourse loans on 287 Mbu of soybeans, which was slightly over 10% of total production. By the end of 1999, 268 Mbu were forfeited to the U.S. government.

Increased Soybean Production in the U.S.
Several factors have resulted in the expansion of seeded area and production of soybeans in the U.S.

First, the **marketing loan rate** exceeded the 1999-2000 average on-farm market price by about 21% for soybeans but only by about 16% for corn. According to USDA research, the area seeded to soybeans

SOYBEANS: SUPPLY & DISPOSITION

| | 1998 -1999 | 1999 -2000e | 2000 -2001f |
|---|---------------|----------------|----------------|
|million tonnes..... | | | |
| WORLD (October-September) | | | |
| Carry-in Stocks | 24.8 | 26.2 | 23.8 |
| Production | 159.8 | 157.7 | 167.3 |
| Total Supply | 184.6 | 183.9 | 191.1 |
| Crush | 135.9 | 137.2 | 143.3 |
| Other | 22.5 | 22.9 | 24.4 |
| Total Use | 158.4 | 160.1 | 167.7 |
| Carry-out Stocks | 26.2 | 23.8 | 23.4 |
| Trade | 38.7 | 46.3 | 46.7 |
| UNITED STATES (September-August) | | | |
| Carry-in Stocks | 5.4 | 9.5 | 7.8 |
| Production | 74.6 | 72.2 | 75.6 |
| Imports | 0.1 | 0.1 | 0.1 |
| Total Supply | 80.1 | 81.8 | 83.5 |
| Crush | 43.3 | 43.0 | 43.7 |
| Exports | 21.9 | 26.5 | 26.5 |
| Other | 5.5 | 4.5 | 4.6 |
| Total Use | 70.7 | 74.0 | 74.8 |
| Carry-out Stocks | 9.5 | 7.8 | 8.7 |
| CANADA (September-August) | | | |
| Carry-in Stocks | 0.2 | 0.2 | 0.3 |
| Production | 2.7 | 2.8 | 2.7 |
| Imports | 0.3 | 0.5 | 0.5 |
| Total Supply | 3.2 | 3.5 | 3.5 |
| Crush | 1.6 | 1.7 | 1.7 |
| Exports | 0.9 | 1.0 | 1.0 |
| Other | 0.5 | 0.6 | 0.5 |
| Total Use | 2.9 | 3.2 | 3.3 |
| Carry-out Stocks | 0.2 | 0.3 | 0.2 |

e: estimate, USDA and AAFC December 2000

f: forecast, USDA and AAFC December 2000

Source: USDA, Statistics Canada, AAFC

seeded to soybeans in 1999-2000 was about 5.5% higher than warranted by market prices. Historically, U.S. producers have switched area out of corn into soybeans when the soybean/corn price ratio exceeded 2.5. The high target price of corn, relative to the soybean loan rate discouraged soybean plantings.

This changed when the target price for corn was eliminated. Since the ratio of the loan rate on soybeans to corn was 2.78 in 1999-2000, there was a strong incentive to switch to soybeans. As a result, in 1999-2000, the area seeded to soybeans in the U.S. exceeded corn for the first time in history

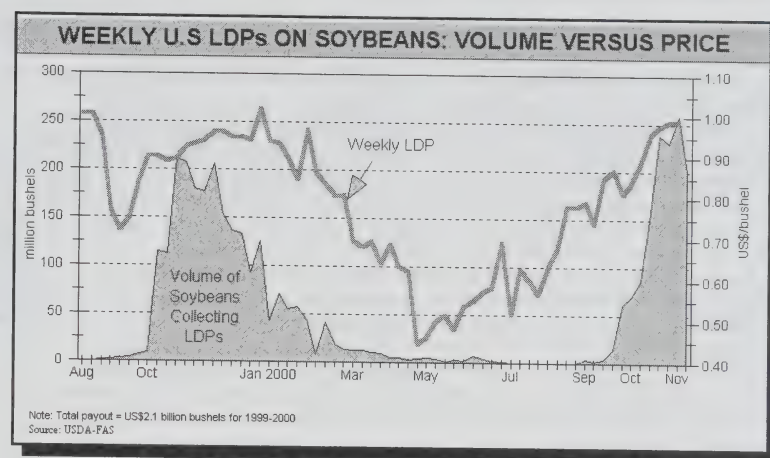
Second, under FAIR, producers gained additional **production flexibility** in adjusting their crop rotations and were no longer required to set aside productive land to receive government program payments. Given the relative marketing loan rates, producers switched to soybeans at the expense of other crops.

Third, higher yielding **new varieties** of soybeans allowed producers to profitably grow soybeans at lower prices and lower heat unit varieties permitted the expansion of soybean plantings along the northern and western fringes of the U.S. soybean belt. Moreover, expanded crop insurance coverage permitted increased planting in riskier regions.

Fourth, the **marketing flexibility** introduced by the FAIR Act allowed U.S. producers to collect the highest level of LDP when prices were seasonally low, and then sell their soybeans when market prices increased. By using this strategy, U.S. farmers could receive a total return for their soybeans that was above the loan rate. There is some risk associated with this strategy. If prices fell, the sum of the new market price and the LDP would be less than the loan rate.

Impact of LDP on Canada

Under provisions of the 1990 *Food, Agriculture, Conservation and Trade (FACT) Act*, the U.S. marketing loan provided a price floor for soybeans by allowing the soybeans to be placed into government owned storage and removed from the market. This reduced marketable supplies of soybeans and acted as a price floor for oilseeds worldwide. Under the 1996 FAIR Act, the



price floor was removed which allowed world prices to decrease below the loan rate.

Market prices are also pressured by heavy U.S. producer selling after harvest as producers simultaneously sell their soybeans and collect the LDP. Prices then rebound after the majority of producers market their soybeans. However, the U.S. producers participating in the program are insulated from the price volatility.

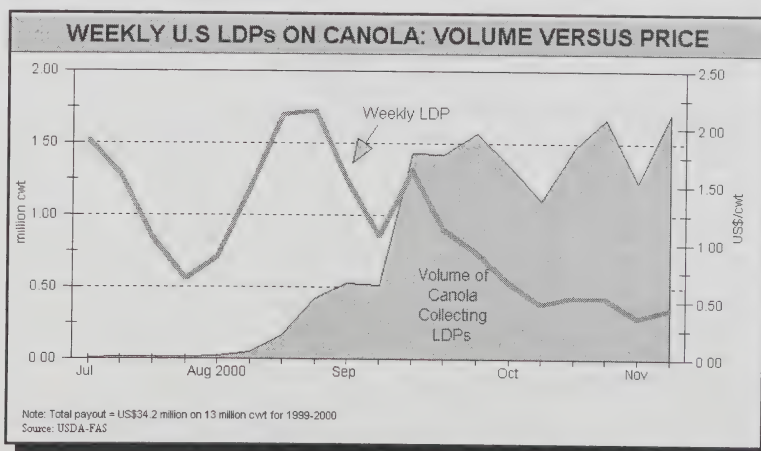
In general, Canadian production is small relative to total world oilseed production, and is strongly influenced by U.S. soybean prices. Increased soybean production in the U.S. has pressured the prices of oilseeds worldwide, reducing the market price for Canadian soybean growers.

In 1999, the U.S. Producer Subsidy Equivalent (PSE) for soybeans is estimated at CAN\$85 tonne (t) (US\$58/t) or 25% of the value of soybeans. By comparison, the PSE for Canadian soybeans is estimated at \$32/t or 12% of the value of soybeans.

On the other hand, Canadian consumers of soybeans and soybean products have benefitted from lower prices. For example, the Canadian livestock sector, has benefitted from the lower price of soy meal. Similarly, users of soyoil and other vegetable oils, such as the food processing sector in Canada, have benefitted from lower prices.

OUTLOOK

Partly as the result of the revenue floor provided by the marketing loan rates U.S., soybean production is projected to



increase to a record 2.78 billion bushels {75.6 million tonnes (Mt)} for 2000-2001, due to an increase in seeded area combined with higher yields. Meanwhile, supplies of soybeans are forecast to increase by 2% as the rise in output offsets the decline in carry-in stocks. Carry-out stocks are forecast to increase significantly in spite of increased domestic crush and exports. The average U.S. farm price is expected to increase slightly to US\$4.80/bu from US\$4.65/bu due to a slight increase in soymeal prices.

For 2000-2001, to December 1, the LDP has averaged US\$0.95/bu on about 1,638 Mbu of soybeans or 60% of the crop. If the LDP is paid out on 90% of the crop at an average rate of US\$0.85/bu then total payouts for soybeans in the U.S. would amount to US\$2.2 billion, slightly higher than 1999-2000.

In addition, based on the 1999-2000 trends, about 10% of the 2000-2001 soybean crop, (or about 290 Mbu), is expected to collect nonrecourse marketing loans of about US\$1.5 billion. Based on the projected market price of US\$4.80/bu, the U.S. government is expected to pay out almost US\$150 million on soybeans forfeited to the government. Most forfeitures are paid to producers who have hit the limit of US\$150,000 per producer on LDPs.

Medium-Term Outlook

Over the medium-term, U.S. soybean production is expected to remain high due to the favourable marketing loan rate for soybeans, relative to corn and wheat. Soybean production will also be supported by the flexibility provisions of U.S. agricultural policy, and by the release of new lower heat unit and drought tolerant varieties. Consequently, assuming no change in U.S. agricultural policy, U.S. payouts of LDP and nonrecourse loans are expected to remain high.

Under the FAIR Act, marketing loans and LDP will continue until at least 2002. What follows depends on any changes to the Farm Bill in 2001 and the next Congress' farm policy choices. Those choices are likely to be influenced by the World Trade Organization (WTO) negotiations. If LDP and marketing loans continue unchanged, then U.S. producers would be expected to continue to receive LDP and marketing loan benefits for the cereal and oilseed crops until world prices improved significantly.

For more information please contact:

Chris Beckman
Oilseeds Analyst
Phone: (204) 984-4929
E-mail: beckmac@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

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Strategic Policy Branch,
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Agriculture and Agri-Food Canada,
500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524
Editor: Gordon MacMichael
E-mail: macmichaelg@em.agr.ca

Director: Maggie Liu
Chief: Fred Oleson

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Aussi disponible en français.

Loan Rates are established yearly at the national level and are based on a combination of statutory formulas and limits and, to some extent, Secretarial discretion. With the exception of rice, national loan rates for each marketing assistance loan commodity are adjusted to the local level (county or warehouse) to reflect spatial differences in markets, transportation costs, and other relevant factors. Under the FAIR Act, loan rates for most crops continue to be based on 85% of the preceding Olympic 5-year averages of farm prices, i.e. the high and low-price years are excluded. This formula establishes a minimum level for most loan rates. The Secretary of Agriculture has the discretion to set a higher rate than warranted by the formula, but must not exceed a legislative maximum for wheat, corn, upland cotton, soybeans, and minor oilseeds.

Regarding **loan maturity**, the legislation requires that cereal and oilseed loans mature on the last day of the ninth month following the month in which the loan is made, for example a loan made in October matures in July. Note that a loan is outstanding if a producer has secured the loan from CCC, but has not settled the loan, either through repayment or delivery of the collateral to CCC.

The **Loan Deficiency Payment** provisions are active when the alternative repayment rate at a given location is less than the base loan rate at the same location, i.e., when the payment rate is greater than zero. When the provisions are active, an eligible producer may choose to receive a LDP in lieu of securing a loan if the quantity of a commodity is eligible for a nonrecourse loan. Premiums and discounts are not considered when determining the LDP rate. LDP provisions are in effect for a given loan-eligible quantity of a commodity until the final date for loan availability for that commodity.

Total payment limitations on marketing loan gains and LDP payouts of US\$75,000 has been increased to US\$150,000 in the joint Senate-Congress 2001 USDA Appropriations Bill submitted to the President for approval. This follows the temporary expansion of the cap in 1999-2000 to allow large producers to collect the full program benefits.

CANADIAN GRAINS AND OILSEEDS OUTLOOK : 2000-2001 DECEMBER 11, 2000

Production of grains and oilseeds in Canada is estimated by Statistics Canada (STC) at 61.6 million tonnes (Mt) compared to 66.3 Mt in 1999-00 and the 10-year average of 60.7 Mt. In Western Canada, production of spring wheat, canola, flaxseed, oats and rye are lower than 1999-00 while the production of durum and barley are higher. The proportion of the Canada Western Red Spring wheat and durum crops falling into the top two grades is below both 1999-00 and the average. However, protein levels for both wheat and durum are above 1999-00 and near the average. In Eastern Canada, the production of corn decreased significantly due to the abnormally wet and cold growing conditions during 2000-01, with quality below normal.

Total exports of grains and oilseeds are forecast to increase slightly, to 28.2 Mt in 2000-01. Exports of durum, barley, canola, flaxseed and soybeans are expected to increase, while exports of spring wheat and oats are forecast to decrease from 1999-00. Average prices for spring wheat, durum, coarse grains, malting barley and flaxseed are expected to rise. Prices for canola are expected to fall, with soybean prices forecast to be similar to last year. Although EU domestic subsidies remain high, to-date it has not used export subsidies for sales of wheat and barley into commercial markets, but it has granted subsidies on oats. US Loan Deficiency Payments for 2000-01 have averaged US\$0.45/bu on 76% of the wheat crop, US\$0.33/bu on 49% of the corn crop, US\$0.28/bu on 69% of the barley crop, US\$0.30/bu on 82% of the oat crop and US\$0.95/bu on 59% of the soybean crop.

WHEAT (ex-durum)

Supplies have declined by 5%, with the 6% decrease in production partially offset by slightly higher carry-in stocks. Domestic use is forecast to remain at an historically high level due to strong feed demand. Exports are forecast to fall by 4%, to 14.1 Mt, well below the 10-year average of 16 Mt. Carry-out stocks are forecast to fall by 10% to a relatively low level of 5.0 Mt. The Canadian Wheat Board (CWB) Nov. 2000-01 Pool Return Outlook (PRO) for No.1 CWRW 11.5% protein is up by \$8/t from Oct., at \$192/t, in-store Vancouver/St. Lawrence, \$26/t above 1999-00. The Dec. 1 Ontario Wheat Producers' Marketing Board's Estimated Pool Return for No.1 CEWW is \$105-115/t, vs. the 1999-00 final realized price of \$106/t. Due to fusarium damage, about 0.3 Mt or 30% of the wheat delivered to the OWPMB in 2000-01 grades feed.

DURUM

Supplies are a record 7.4 Mt, 19% above 1999-00, due to a 31% increase in production to 5.6 Mt, the 2nd highest on record. Domestic feed use is forecast to increase, because a larger than normal proportion of the crop is expected to be in the lower grades due to sprouting. Exports are forecast to rise by 6%, to 3.8 Mt, due to increased import demand from North Africa, but further increases will be limited by inelastic demand and competition from other exporters. Carry-out stocks are forecast to increase to a record 2.3 Mt. The CWB 2000-01 PRO for No.1 CWAD 11.5% protein is \$210/t, up \$5/t from Oct., and \$5/t above 1999-00.

BARLEY

Supplies are 4% above 1999-00, due to higher production and carry-in stocks.

Domestic feed use is expected to be higher than in 1999-00, partly due to lower corn use in western Canada. Livestock numbers in western Canada are forecast to increase late in the year. Feed barley exports are expected to increase. Malting barley exports are also expected to rise due to higher demand by China and the US, and reduced competition from the EU where the quality of the crop fell because of wet harvest conditions. Competition from Australia will likely be lower than earlier expected because of quality problems resulting from rain at harvest. Carry-out stocks are forecast to decrease. The off-Board feed barley price is forecast to average \$120/t vs. \$110/t for 1999-00. The Nov. CWB PRO for No.1 CW Feed Barley increased by \$10/t from Oct. to \$142/t, vs. \$135/t for 1999-00. The PRO for Special Select Two Row Designated Barley increased by \$6/t from Oct. to \$207/t, vs. \$188/t for 1999-00.

OATS

Supplies have decreased from 1999-00 due to lower production and carry-in stocks. Exports are expected to fall marginally due to increased competition from the EU in the US market for feed oats. Carry-out stocks are expected to decrease. Average oat prices are expected to be similar to 1999-00.

CORN

Domestic supplies are 17% lower than in 1999-00 due to significantly lower production, despite historically high carry-in stocks. Although total imports are forecast to increase significantly, imports into Western Canada are expected to decrease due to the provisional duty of US\$1.58/bu imposed by Canada Customs and Revenue Agency. The duty was imposed on Nov. 7 on grain corn imported from the US into provinces west of the Manitoba/Ontario border. In Ontario and Quebec, imports of corn are expected to increase due to lower production and the lower quality of the crop.

Chatham corn prices are expected to increase due to lower supplies and higher US corn prices.

CANOLA

Canola supplies have declined by 2% to 9.3 Mt, with the 19% decrease in production partly offset by record-high carry-in stocks. Domestic crush is forecast to rise to a near record 3.1 Mt, due to abundant supplies and profitable crush margins, despite low vegetable oil prices. Exports are expected to rise due to less competition from Australia and the EU. Carry-out stocks are forecast to fall to 1.6 Mt, but remain burdensome. Canola prices are expected to decrease.

FLAXSEED (excluding Solin)

Flaxseed supplies have decreased by 8%, with the 32% decrease in production partly offset by higher carry-in stocks. Exports are expected to rise to near average levels due to higher imports by the EU. Carry-out stocks are forecast to fall by nearly 48%, and flaxseed prices are expected to increase from 1999-00.

SOYBEANS

Soybean supplies are marginally below 1999-00 due to lower production in Ontario related to wet and cold conditions. Imports are expected to rise. Exports are forecast to increase to a record high due to support from niche markets. Domestic crush is forecast to decrease slightly despite profitable crush margins and adequate supplies. Soybean prices are expected to be similar to last year.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains..Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca

CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

December 11, 2000

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1998-1999 | 2,914 | 2.07 | 6,042 | 3 | 6,802 | 3,851 | 236 | 598 | 1,003 | 1,948 | 201 |
| 1999-2000 | 1,760 | 2.44 | 4,300 | 9 | 6,257 | 3,575 | 247 | 389 | 888 | 1,793 | 205 * |
| 2000-2001f | 2,614 | 2.16 | 5,647 | 1 | 7,441 | 3,800 | 250 | 851 | 1,341 | 2,300 | 210 ** |
| Wheat Except Durum | | | | | | | | | | | |
| 1998-1999 | 7,764 | 2.32 | 18,040 | 77 | 23,369 | 10,872 | 2,628 | 3,554 | 7,010 | 5,487 | 184 |
| 1999-2000 | 8,606 | 2.63 | 22,600 | 6 | 28,093 | 14,737 | 2,777 | 4,168 | 7,774 | 5,582 | 166 * |
| 2000-2001f | 8,349 | 2.53 | 21,157 | 50 | 26,788 | 14,100 | 2,760 | 4,068 | 7,688 | 5,000 | 192 ** |
| ALL WHEAT | | | | | | | | | | | |
| 1998-1999 | 10,678 | 2.26 | 24,082 | 80 | 30,171 | 14,723 | 2,864 | 4,151 | 8,013 | 7,435 | |
| 1999-2000 | 10,367 | 2.59 | 26,900 | 14 | 34,349 | 18,313 | 3,024 | 4,557 | 8,662 | 7,375 | |
| 2000-2001f | 10,963 | 2.44 | 26,804 | 51 | 34,230 | 17,900 | 3,010 | 4,920 | 9,030 | 7,300 | |
| Barley | | | | | | | | | | | |
| 1998-1999 | 4,272 | 2.98 | 12,709 | 55 | 15,223 | 1,698 | 362 | 10,044 | 10,788 | 2,737 | 117 |
| 1999-2000 | 4,069 | 3.24 | 13,196 | 33 | 15,966 | 2,392 | 253 | 9,809 | 10,503 | 3,071 | 110 |
| 2000-2001f | 4,551 | 2.96 | 13,468 | 30 | 16,569 | 2,850 | 360 | 10,054 | 10,819 | 2,900 | 110-130 |
| Corn | | | | | | | | | | | |
| 1998-1999 | 1,118 | 8.01 | 8,952 | 893 | 10,737 | 827 | 1,845 | 7,149 | 9,025 | 885 | 110 |
| 1999-2000 | 1,141 | 8.03 | 9,161 | 1,022 | 11,069 | 226 | 2,020 | 7,240 | 9,291 | 1,552 | 107 |
| 2000-2001f | 1,088 | 6.27 | 6,827 | 1,500 | 9,878 | 150 | 2,047 | 6,900 | 8,978 | 750 | 110-130 |
| Oats | | | | | | | | | | | |
| 1998-1999 | 1,592 | 2.49 | 3,958 | 3 | 4,807 | 1,517 | 200 | 1,815 | 2,202 | 1,088 | 132 |
| 1999-2000 | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,573 | 181 | 1,763 | 2,104 | 1,057 | 128 |
| 2000-2001f | 1,299 | 2.61 | 3,389 | 4 | 4,450 | 1,500 | 190 | 1,700 | 2,050 | 900 | 120-140 |
| Rye | | | | | | | | | | | |
| 1998-1999 | 204 | 1.96 | 398 | 0 | 462 | 80 | 57 | 139 | 215 | 166 | |
| 1999-2000 | 169 | 2.29 | 387 | 4 | 557 | 85 | 67 | 224 | 310 | 162 | |
| 2000-2001f | 115 | 2.27 | 260 | 1 | 423 | 80 | 75 | 147 | 243 | 100 | |
| Mixed Grains | | | | | | | | | | | |
| 1998-1999 | 198 | 2.77 | 548 | 0 | 548 | 0 | 0 | 548 | 548 | 0 | |
| 1999-2000 | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001f | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| TOTAL COARSE GRAINS | | | | | | | | | | | |
| 1998-1999 | 7,384 | 3.60 | 26,565 | 952 | 31,777 | 4,122 | 2,464 | 19,694 | 22,778 | 4,876 | |
| 1999-2000 | 6,930 | 3.87 | 26,832 | 1,064 | 32,772 | 4,276 | 2,520 | 19,483 | 22,655 | 5,842 | |
| 2000-2001f | 7,181 | 3.39 | 24,327 | 1,535 | 31,703 | 4,580 | 2,672 | 19,183 | 22,473 | 4,650 | |
| Canola | | | | | | | | | | | |
| 1998-1999 | 5,421 | 1.41 | 7,643 | 157 | 8,163 | 3,900 | 3,063 | 382 | 3,631 | 633 | 373 |
| 1999-2000 | 5,564 | 1.58 | 8,798 | 124 | 9,556 | 3,892 | 2,983 | 575 | 3,597 | 2,066 | 288 |
| 2000-2001f | 4,816 | 1.48 | 7,119 | 150 | 9,335 | 4,100 | 3,100 | 495 | 3,635 | 1,600 | 250-280 |
| Flaxseed | | | | | | | | | | | |
| 1998-1999 | 874 | 1.24 | 1,081 | 6 | 1,127 | 727 | N/A | N/A | 249 | 151 | 313 |
| 1999-2000 | 777 | 1.32 | 1,022 | 2 | 1,175 | 568 | N/A | N/A | 226 | 381 | 237 |
| 2000-2001f | 591 | 1.17 | 693 | 3 | 1,077 | 650 | N/A | N/A | 227 | 200 | 230-260 |
| Soybeans | | | | | | | | | | | |
| 1998-1999 | 980 | 2.79 | 2,737 | 254 | 3,179 | 868 | 1,576 | 396 | 2,069 | 242 | 266 |
| 1999-2000 | 1,004 | 2.77 | 2,781 | 455 | 3,478 | 950 | 1,712 | 487 | 2,271 | 257 | 256 |
| 2000-2001f | 1,061 | 2.55 | 2,703 | 460 | 3,420 | 1,000 | 1,700 | 441 | 2,211 | 210 | 240-270 |
| TOTAL OILSEEDS | | | | | | | | | | | |
| 1998-1999 | 7,275 | 1.58 | 11,461 | 417 | 12,469 | 5,496 | 4,639 | 778 | 5,948 | 1,026 | |
| 1999-2000 | 7,345 | 1.72 | 12,602 | 581 | 14,208 | 5,410 | 4,695 | 1,062 | 6,094 | 2,704 | |
| 2000-2001f | 6,468 | 1.63 | 10,515 | 613 | 13,833 | 5,750 | 4,800 | 936 | 6,073 | 2,010 | |
| TOTAL GRAINS AND OILSEEDS | | | | | | | | | | | |
| 1998-1999 | 25,336 | 2.45 | 62,108 | 1,448 | 74,417 | 24,341 | 9,967 | 24,623 | 36,740 | 13,337 | |
| 1999-2000 | 24,642 | 2.69 | 66,334 | 1,659 | 81,330 | 27,998 | 10,240 | 25,101 | 37,411 | 15,921 | |
| 2000-2001f | 24,612 | 2.50 | 61,646 | 2,199 | 79,765 | 28,230 | 10,482 | 25,039 | 37,575 | 13,960 | |

(a) Aug.-July crop year except corn and soybeans which are Sept. - Aug.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver);

Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (No. 3 CW, WCE cash Track Minneapolis);

Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB Pool Return Outlook (PRO): September 2000.

** - CWB PRO: November 2000, for No.1 CWRS and No.1 CWAD with 11.5% protein. This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f - Agriculture and Agri-Food Canada forecast, December 2000.

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

CANADA: SPECIAL CROPS SITUATION AND OUTLOOK FOR 2000-2001 December 11, 2000

Total Canadian special crop production increased by 21 % to a record 4.94 million tonnes (Mt) based on Statistics Canada's (STC) November Estimate of Production of Principal Field Crops. A 32 % increase in harvested area was partly offset by generally lower yields. Higher production of dry peas, lentils, chick peas, canary seed and buckwheat, has more than offset lower production of dry beans, mustard seed and sunflower seed. Yields for dry peas, lentils, chick peas and mustard seed were average, while yields for dry beans, canary seed and buckwheat were below average, and yields for sunflower seeds were above average. The quality of the special crops was generally average, but better than in 1999-00.

Due to higher supply and strong demand, exports are forecast to increase by 26 % to 3.3 Mt in 2000-01. Despite higher exports and domestic use, carry-out stocks are expected to increase. Average prices for dry beans and sunflower seeds are expected to increase, while average prices for dry peas, lentils, chick peas, mustard seed and buckwheat are expected to be lower. The average price of canary seed is expected to be similar to 1999-00.

DRY PEAS

Canadian production and total supply increased significantly as a major increase in harvested area offset lower yields. Most of the increase in production was for the yellow type, with smaller increases for the green and other types. Exports are forecast to increase by 29% largely because of increased demand for feed use in Europe and food use in Asia. Domestic use is forecast to increase mainly because of increased use for feeding hogs. Carry-out stocks are forecast to increase, with a moderate stocks-to-use (s/u) ratio of 18%. World total supply is estimated to increase slightly to about 12.3 Mt. The average price over all types, grades and markets is forecast to decrease by 5-10%.

LENTILS

Canadian production and total supply increased significantly as a major increase in harvested area offset lower yields. Increased production is estimated for all types. Exports are expected to increase because of strong world demand and because Canada's share of world total supply is expected to increase to 28% from 24% in 1999-00. Carry-out stocks are forecast to increase, with a moderate s/u ratio of 18%. World total supply is forecast to increase by 10% to about 3.6 Mt. The average price over all types and grades is forecast to fall by about 15-20%.

DRY BEANS

Canadian production and total supply decreased, as lower yields more than offset higher harvested area. White pea bean production decreased by 23% to 110,000 tonnes (t), while coloured bean production increased by 8% to 163,000 t. Exports are forecast to increase only slightly due to lower total supply. Carry-out stocks and the s/u ratio are expected to decrease to a low level. US production is forecast to fall by about 25% because of lower harvested area and lower yields, but the total supply is

not expected to drop as much because of higher carry-in stocks. World total supply is expected to increase slightly to about 20.4 Mt. Although US and Canadian production has decreased, the total supply is still adequate for most classes of beans. The average price, over all types and grades, is forecast to increase only slightly.

CHICK PEAS

Canadian production and total supply nearly doubled as the increased harvested area offset lower yields. Production was about 50% for each of the kabuli and desi types. Exports are forecast to more than triple because of increased Canadian supply and stronger world demand. Canadian exports are mainly to Asia, the Middle East and Europe, with smaller volumes exported to Latin America and the US. Carry-out stocks are forecast to increase, with a moderate s/u ratio of 13%. Total world supply is forecast to increase by 3% to about 9.9 Mt. The average price over both types and all sizes and grades is forecast to decrease slightly.

MUSTARD SEED

Canadian production and total supply decreased because of lower harvested area and lower yields. Production decreased for all three types, yellow, brown and oriental. Exports are expected to increase slightly, in line with slightly higher world demand. Carry-out stocks are forecast to decrease, but remain burdensome with a s/u ratio of 34%. Since Canada is the dominant world exporter of mustard seed, the average price, over all types and grades, is forecast to fall by 5%.

CANARY SEED

Canadian production increased slightly, as the higher harvested area, was partly offset by lower yields. Total supply decreased by 5% due to lower carry-in stocks. Exports are expected to increase slightly, in line with stronger world demand. Carry-out stocks are forecast to decrease, with a moderate s/u ratio of 27%. Since Canada dominates world

canary seed production, the average price is forecast to be similar to 1999-00.

SUNFLOWER SEED

Canadian production decreased slightly, as the lower harvested area, was partly offset by higher yields. Production of the confectionary type increased by 33% to about 89,000 t, while production of the oilseed type decreased by 45% to about 30,000 t. Total supply increased by 21% because of higher carry-in stocks. Exports and domestic use are forecast to increase significantly because of lower production in the US and the growth of the domestic processing industry. Carry-out stocks are forecast to decrease, with a moderate s/u ratio of 25%. US sunflower seed production decreased by about 15%, with a 10% and 30% reduction for the oilseed type and the confectionary type, respectively. Total world supply is forecast to decrease by 9% to about 25.3 Mt.

The decrease in world supply is expected to provide support for oilseed sunflower prices and the decrease in US confectionary sunflower seed production is expected to provide support for confectionary sunflower seed prices. The average price, over both types, is forecast to increase by 5-10%.

BUCKWHEAT

Canadian production increased by 8% due to higher harvested area, which was partly offset by lower yields. Exports and domestic use are forecast to remain stable, in line with the stable supply. The average price is forecast to decrease slightly, in line with a slightly higher world supply of 2.8 Mt.

FURTHER INFORMATION:

Stan Skrypetz..... (204) 983-8972
E-mail.....skrypetzs@em.agr.ca
Fred Oleson, Chief.....(204) 983-0807
E-mail.....olesonf@em.agr.ca

CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS (c)

December 11, 2000

| Grain and Crop Year (a) | Harvested | | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------|-------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| | Area | Yield | | | | | | | |
| | 000 ha | t/ha | | | | | | | |
| ----- thousand metric tonnes----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1996-1997 | 520 | 2.25 | 1,169 | 8 | 1,507 | 856 | 436 | 215 | 209 |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,974 | 1,116 | 523 | 335 | 177 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 132 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,400 | 839 | 400 | 135 |
| 2000-2001f | 1,220 | 2.35 | 2,864 | 10 | 3,274 | 1,800 | 984 | 490 | 110-140 |
| Lentils | | | | | | | | | |
| 1996-1997 | 304 | 1.33 | 403 | 4 | 534 | 286 | 108 | 140 | 470 |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 523 | 349 | 109 | 65 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 520 | 194 | 80 | 380 |
| 2000-2001f | 688 | 1.33 | 914 | 5 | 999 | 640 | 204 | 155 | 300-330 |
| Dry Beans | | | | | | | | | |
| 1996-1997 | 84 | 1.58 | 133 | 26 | 179 | 124 | 45 | 10 | 605 |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 261 | 59 | 40 | 500 |
| 2000-2001f | 166 | 1.64 | 273 | 25 | 338 | 265 | 63 | 10 | 490-520 |
| Chick Peas | | | | | | | | | |
| 1996-1997 | 3 | 1.33 | 4 | 4 | 8 | 1 | 7 | | n/a |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 65 | 127 | 15 | 390 |
| 2000-2001f | 283 | 1.37 | 387 | 2 | 404 | 210 | 149 | 45 | 365-395 |
| Mustard Seed | | | | | | | | | |
| 1996-1997 | 233 | .99 | 231 | 1 | 244 | 141 | 65 | 38 | 363 |
| 1997-1998 | 292 | .83 | 243 | 2 | 283 | 166 | 69 | 48 | 398 |
| 1998-1999 | 279 | .86 | 239 | 1 | 288 | 162 | 76 | 50 | 348 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 165 | 77 | 115 | 285 |
| 2000-2001f | 208 | .97 | 202 | 1 | 318 | 170 | 68 | 80 | 255-285 |
| Canary Seed | | | | | | | | | |
| 1996-1997 | 235 | 1.21 | 285 | 0 | 299 | 122 | 47 | 130 | 300 |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 245 | 134 | 47 | 64 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001f | 164 | 1.04 | 171 | 0 | 261 | 165 | 41 | 55 | 225-255 |
| Sunflower Seed | | | | | | | | | |
| 1996-1997 | 35 | 1.57 | 55 | 12 | 74 | 24 | 39 | 11 | 345 |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 88 | 45 | 40 | 3 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001f | 69 | 1.72 | 119 | 15 | 175 | 60 | 80 | 35 | 305-335 |
| Buckwheat | | | | | | | | | |
| 1996-1997 | 17 | 1.30 | 22 | 1 | 25 | 12 | 11 | 2 | 320 |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001f | 15 | .93 | 14 | 1 | 16 | 8 | 7 | 1 | 280-310 |
| Total Special Crops | | | | | | | | | |
| 1996-1997 | 1,431 | 1.61 | 2,302 | 56 | 2,870 | 1,566 | 758 | 546 | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 54 | 3,343 | 1,949 | 862 | 532 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,299 | 2,634 | 1,034 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,625 | 1,387 | 782 | |
| 2000-2001f | 2,813 | 1.76 | 4,944 | 59 | 5,785 | 3,318 | 1,596 | 871 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

Source: Statistics Canada and industry consultations.

f - Agriculture and Agri-Food Canada forecast, December 11, 2000.

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | | As of Monday December 4, 2000 | | | | | | | |
|---|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|-------------------------------|--|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | | | | | | | | |
| Vancouver B.C. | This week | FOB | (1) 148.66 | N/A | 143.16 | (3) 198.00 | | 335.25 | (7) 203.56 | 113.00 | 370.00 | (4) 735.00 | 360.00 | | | | 455.00 | | | | | | | | |
| | Week ago | | (1) 146.66 | N/A | 143.16 | (3) 175.00 | | 342.25 | (7) 191.55 | 114.00 | 355.00 | (4) 735.00 | 370.00 | | | | 445.00 | | | | | | | | |
| Calgary Alta | This week | FOB | (1) 125.50 | 105.00 | 120.00 | (3) 157.00 | | 348.50 | 179.00 | | 325.00 | (4) 760.00 | 450.00 | | | | 450.00 | | | | | | | | |
| | Week ago | | (1) 123.50 | 105.00 | 120.00 | (3) 156.00 | | 347.00 | 179.00 | | 325.00 | (4) 760.00 | 450.00 | | | | 450.00 | | | | | | | | |
| Saskatoon Sask. | This week | FOB | (1) 123.00 | 111.50 | 110.00 | (3) 138.00 | | 352.00 | 203.00 | | 325.00 | (4) N/A | 450.00 | | 151.00 | | 450.00 | | | | | | | | |
| | Week ago | | (1) 124.00 | 112.50 | 112.00 | (3) 138.00 | | 340.50 | 203.00 | | 325.00 | (4) N/A | 450.00 | | 142.33 | | 450.00 | | | | | | | | |
| Melfort Sask. | This week | FOB | (1) 130.40 | 99.78 | 119.80 | | | | | | | | | | | | | | | | | | | | |
| Week ago | | | 132.50 | 99.78 | 119.20 | | | | | | | | | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | (1) 112.75 | 102.53 | 108.55 | (3) 135.00 | | 344.50 | 198.00 | | 325.00 | (4) 712.50 | 420.00 | | | | 385.00 | | | | | | | | |
| Thunder Bay Ont. | Week ago | | (1) 114.85 | 104.53 | 111.95 | (3) 134.00 | | 322.50 | 198.00 | | 325.00 | (4) 712.50 | 420.00 | | | | 385.00 | | | | | | | | |
| Lake Ports USA | This week | Track | (1) 139.20 | 117.77 | 126.50 | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 137.00 | 117.77 | 128.40 | | | | | | | | | | | | | | | | | | | | |
| Bay Ports Ont. | This week | On Board | | | | (3) 135.99 | | | | | | | | | | | | | | | | | | | |
| | Week ago | Vessel | | | | (3) 137.10 | | | | | | | | | | | | | | | | | | | |
| Chatham Ont. | This week | In-store | (1) 172.70 | 160.00 | 161.50 | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 162.75 | 160.00 | 147.20 | | | | | | | | | | | | | | | | | | | | |
| Toronto Ont. | This week | Track | | | | (2) 134.84 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | (2) 134.74 | | | | | | | | | | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | N/A | | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | (2) 140.25 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | (2) 136.27 | | | | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | |
| Trois-Riv. Que. | This week | In-store | (1) 171.20 | | 165.50 | (2) 160.03 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 165.50 | | 162.20 | (2) 156.78 | | | | | | | | | | | | | | | | | | | |
| St-Jean-Que. St-Hyacinthe-Que. | This week | FOB | (1) 164.23 | 106.00 | 147.98 | (2) 148.61 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 164.67 | 106.00 | 148.53 | (2) 145.76 | | | | | | | | | | | | | | | | | | | |
| Quebec Que. | This week | In-store | (1) 166.17 | | 159.53 | (2) 157.14 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 168.17 | | 161.87 | (2) 158.10 | | | | | | | | | | | | | | | | | | | |
| Truro N.S. | This week | Track | (1) 188.62 | 193.88 | 182.27 | (2) 177.53 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | (1) 191.67 | 193.88 | 183.52 | (2) 177.55 | | | | | | | | | | | | | | | | | | | |
| Truro N.S. | This week | Water | (1)179.00 | N/A | N/A | 178.75 | | | | | | | | | | | | | | | | | | | |
| | Week ago | & Truck | (1)N/A | N/A | N/A | 179.00 | | | | | | | | | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | (1) 164.33 | N/A | N/A | 163.45 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | N/A | N/A | N/A | 171.00 | | | | | | | | | | | | | | | | | | | |
| Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 | | | | | | | | | | | | | | | | | | | | | | | | | |
| N/A = not available US \$1.00=Cdn \$1.5458 as of December 04, 2000 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat No.1 Feed Oats No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease. | | | | | | | | | | | | | | | | | | | | | | | | | |
| (1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley | | | | | | | | | | | | | | | | | | | | | | | | | |

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday December 4, 2000

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 139.20 | 137.00 | 126.70 | 120.50 |
| | | OATS | 117.77 | 117.77 | N/A | N/A |
| | | BARLEY | 126.50 | 128.40 | 120.20 | 108.60 |
| To: Bayports, Ont. | In-store | WHEAT | 162.30 | 160.10 | 149.80 | 142.06 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 153.65 | 155.55 | 1. | 147.35 |
| Montreal, Que. | In-store | WHEAT | 167.05 | 164.85 | 1. | 154.55 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 158.77 | 160.67 | 1. | 152.47 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 189.52 | 187.32 | | 177.02 |
| | | OATS | N/A | N/A | | N/A |
| | | BARLEY | 185.13 | 187.03 | | 178.83 |
| Truro, N.S. | Truck via Halifax | WHEAT | 187.02 | 184.82 | | 174.52 |
| | | OATS | N/A | N/A | | N/A |
| | | BARLEY | 180.25 | 182.15 | | 173.95 |
| Halifax, N.S. | In-store | WHEAT | 174.35 | 172.15 | 1. | 161.85 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 166.57 | 168.47 | 1. | 160.27 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 234.13 | 231.93 | | 221.63 |
| | | OATS | 223.97 | 223.97 | | N/A |
| | | BARLEY | 233.64 | 235.54 | | 227.34 |
| From: Melfort, Sask. | FOB | WHEAT | 130.40 | 132.50 | | 118.70 |
| | | OATS | 99.78 | 99.78 | | 105.14 |
| | | BARLEY | 119.80 | 119.20 | | 110.20 |
| To: Bayports, Ont. | Track | WHEAT | 186.52 | 188.62 | | 174.82 |
| | | OATS | 158.65 | 158.65 | | 164.01 |
| | | BARLEY | 173.19 | 172.59 | | 163.59 |
| Montreal, Que. | Track | WHEAT | 187.27 | 189.37 | | 175.57 |
| | | OATS | 159.55 | 159.55 | | 164.91 |
| | | BARLEY | 174.01 | 173.41 | | 164.41 |
| Moncton, N.B. | Track | WHEAT | 208.45 | 210.55 | | 196.75 |
| | | OATS | 182.89 | 182.89 | | 188.25 |
| | | BARLEY | 186.12 | 185.52 | | 176.52 |
| Truro, N.S. | Track | WHEAT | 208.62 | 210.72 | | 196.92 |
| | | OATS | 183.86 | 183.86 | | 189.22 |
| | | BARLEY | 199.74 | 199.14 | | 190.14 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 251.96 | 254.06 | | 240.26 |
| | | OATS | 231.24 | 231.24 | | 236.60 |
| | | BARLEY | 248.03 | 247.43 | | 238.43 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|-----------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 135.99 | 137.10 | | 125.17 |
| To: Montreal, Que. (US Corn) | In-store | | 154.89 | 156.00 | 1. | N/A |
| From: Saginaw (MI) | Track | | 119.33 | 118.92 | | 111.28 |
| To: Montreal, Que. (US Corn) | Track | | 146.87 | 146.46 | | 138.82 |
| From: Chatham | Track | | 134.84 | 134.74 | | N/A |
| To: Montreal, Que. | Track | | 157.73 | 157.63 | | 145.42 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 345.46 | 338.30 | | 312.17 | 260.69 |
| To: Montreal, Que. | Track | | 367.93 | 360.77 | | 334.64 | 284.36 |
| Moncton, N.B. | Track | | 385.24 | 378.08 | | 351.95 | 301.71 |
| Truro, N.S. | Track | | 388.21 | 381.05 | | 354.92 | 304.85 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 437.47 | 430.31 | | 404.18 | 352.15 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

December 15, 2000

Vol. 13 No. 21

LENTILS: SITUATION AND OUTLOOK

Canada is the largest producer of lentils in the world, with about 28% of world production, and its share of world exports is expected to be 65-70% in 2000-2001. The value of Canadian exports increased from \$171 million in 1996-1997 to \$289 million in 1999-2000. Lentils are the second largest special crop produced in Canada, after dry peas. Production has tripled since 1991-1992 to 914,000 tonnes (t) in 2000-2001. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for lentils.

BACKGROUND

Agronomics

Lentils were first produced in the Middle East about 7,000 years ago. However, production in Canada started only in 1970. Lentils are a cool season crop with a restricted root system which is only moderately resistant to high temperatures and drought. They do not tolerate waterlogging, flooding or soils with high salinity. Lentils are best suited to the Brown and Dark Brown soil zones, but can be grown successfully in the Black soil zone in years without excessive moisture. In the Brown soil zone, lentil production is good on summerfallow with medium to fine textured soils, or on stubble. In the Dark Brown and Black soil zones, lentils should be grown on stubble.

Lentils work well in a rotation with cereals, such as spring or durum wheat. Lentils are susceptible to aschochyta blight and anthracnose. To reduce the risk of aschochyta blight, they should not be seeded in the same field more than one year in three or four, depending on the area. To reduce the risk of anthracnose, they should not be seeded more than one year in four and should not be seeded in fields adjacent to lentil stubble. Lentil seed should be tested for

the presence of seed-borne aschochyta. A fungicide can be used to control seed-borne aschochyta, and root rots and blights. Nitrogen fertilizer is not recommended because lentils possess the ability to fix nitrogen from the air in nodules on the roots, where it is used for plant growth. The nitrogen fixed by lentils is also used by other crops in the following years. To maximize the nitrogen fixation ability, lentil seed should be inoculated. Other fertilizer should be applied based on a soil test. Lentils require 90-100 days to mature and should be seeded as soon as the soil temperature is greater than 5° Celsius.

Lentils should be harvested at 16-18% seed moisture to prevent excess splitting or cracking of the seed.

They should be combined at a slow cylinder speed (400 rotations per minute) with the concave set wide to avoid cracking. Lentils can be stored at 16% moisture, but are considered dry at 14% moisture. The major quality concerns in lentil grading are damage due to heating and peeling, split or broken

seed, seed discolouration, as well as foreign material.

Uses and Nutrition

Lentils are used almost exclusively for human consumption in soups, stews, salads, casseroles, and vegetarian dishes. They are high in fibre, a major source of complex carbohydrates, high in protein, rich in B vitamins and minerals and low in sodium and fat. Lentils are often used as a meat extender or substitute because of the high protein content and quality, and are also used in gluten-free, diabetic, low salt, low calorie, low cholesterol, and high fibre diets.

CANADA: LENTIL PRODUCTION

| type | 1998 -1999 | 1999 -2000 | 2000 -2001f |
|-----------------------------|---------------------------|---------------|----------------|
| |thousand tonnes..... | | |
| Large Green * | 295 | 360 | 430 |
| Medium Green ** | 55 | 90 | 130 |
| Small Green *** | 65 | 110 | 170 |
| Red | 50 | 145 | 160 |
| Dark Green Speckled & Brown | 15 | 19 | 24 |
| Total | 480 | 724 | 914 |

* Laird, Glamis, Sovereign, and Grandora

** Richlea and Vantage

*** Eston and Milestone

f: forecast, AAFC, December 2000

Source: AAFC estimates based on Statistics Canada and industry reports



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

FEB 7 2000

Canada

WORLD

Production

World lentil production has been trending upwards from 2.65 million tonnes (Mt) in 1991-1992 to 2.96 Mt in 1999-2000. Most of the growth occurred in Canada which produced 13% of world lentils in 1991-1992 and 24% in 1999-2000. During this period, Australia was the only other country to have significant growth in lentil production, while production in Turkey decreased significantly. For 1999-2000, world production increased by 4% from 1998-1999 due to increased production in Canada. The top three producing countries (India, Canada, and Turkey) accounted for nearly 70% of world production.

Consumption and Trade

On average, about 75% of lentils are consumed in the countries where they are produced. During the 1990s, world trade has been trending upwards from 423,000 t in 1991 to 737,000 t in 1998, the latest year for which trade data is available. In 1998, the top two exporting countries (Canada and Turkey) accounted for 72% of world exports. Imports were distributed much more widely than exports, with the top ten importing countries accounting for 63% of imports. The main importing countries were Sri Lanka, Egypt, Turkey, India, Spain, Algeria, Colombia, Pakistan, France, and Peru.

CANADA

Production

Canadian production increased by 50% in 1999-2000 to a record 724,000 t. Saskatchewan produced about 97% of Canadian lentils and the remainder was produced in Alberta and Manitoba. Canada has been mainly a producer of green lentils, although the production of red lentils is increasing and accounted

for about 20% of the production in 1999-2000. Production of dark green speckled and brown lentils is small, accounting for only about 3% of lentil production. The Canadian lentil harvest generally occurs during the period from mid-August to early October.

Marketing

All of the lentils produced in Canada are sold on the open market to dealers. There are about 40 dealers across the Prairie Provinces who buy, clean and ship lentils to domestic and export customers. Lentils are shipped mainly in containers, although there are also bulk shipments. The dealers range from large corporations and

producer co-operatives to small family-owned businesses. There are several processing plants in Saskatchewan capable of de-hulling and splitting red and green lentils for the world market. Some lentils are grown under production contracts, which guarantee a price for part of the production, but most are sold on the spot

WORLD: LENTIL PRODUCTION

| | 1996 -1997 | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001 |
|------------------|---------------------------|---------------|---------------|---------------|---------------|
| |thousand tonnes..... | | | | |
| Canada * | 403 | 379 | 480 | 724 | 914 |
| India | 714 | 883 | 850 | 900 | 900 |
| Turkey ** | 645 | 515 | 540 | 400 | 380 |
| Bangladesh | 170 | 171 | 163 | 165 | 165 |
| Australia *** | 38 | 36 | 46 | 103 | 145 |
| Nepal | 118 | 124 | 114 | 132 | 135 |
| United States ** | 60 | 108 | 88 | 108 | 135 |
| China | 120 | 107 | 128 | 125 | 120 |
| Syria | 152 | 88 | 154 | 43 | 105 |
| Iran | 120 | 83 | 95 | 95 | 95 |
| Other | 233 | 186 | 195 | 165 | 178 |
| World | 2,773 | 2,680 | 2,853 | 2,961 | 3,272 |

Source: FAO, except *Statistics Canada, **USDA, and ***ABARE
December 2000

CANADA: LENTIL SUPPLY AND DISPOSITION

| <i>August-July crop year</i> | 1996 -1997 | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001f |
|----------------------------------|---------------------------|---------------|---------------|---------------|----------------|
| Harvested Area (thousand ha) | 304 | 329 | 372 | 497 | 688 |
| Yield (t/ha) | 1.33 | 1.15 | 1.29 | 1.46 | 1.33 |
| |thousand tonnes..... | | | | |
| Carry-in Stocks | 127 | 140 | 65 | 60 | 80 |
| Production | 403 | 379 | 480 | 724 | 914 |
| Imports | 4 | 4 | 7 | 10 | 5 |
| Total Supply | 534 | 523 | 552 | 794 | 999 |
| Exports | 286 | 349 | 372 | 520 | 640 |
| Total Domestic Use | 108 | 109 | 120 | 194 | 204 |
| Total Use | 394 | 458 | 492 | 714 | 844 |
| Carry-out Stocks | 140 | 65 | 60 | 80 | 155 |
| Stocks-to-Use Ratio (%) | 36 | 14 | 12 | 11 | 18 |
| Average producer price (\$/t) | 470 | 324 | 381 | 380 | 300-330 |
| Harvested Area (thousand ac.) | 751 | 813 | 919 | 1,228 | 1,700 |
| Yield (lb/ac.) | 1,187 | 1,026 | 1,151 | 1,303 | 1,187 |
| Production (Mlb) | 888 | 836 | 1,058 | 1,596 | 2,015 |
| Average producer price (\$/lb) | 0.213 | 0.147 | 0.173 | 0.172 | 0.141-0.154 |

f: forecast, AAFC, December 2000

Source: Statistics Canada and AAFC

market. Market development activities are conducted under the leadership of Pulse Canada, a national organization of producers, processors, and exporters.

Prices

Canadian prices are determined on an export basis because Canada exports about 75% of its production. The average price, over all types and grades, peaked at about \$470 per tonne (/t) in 1996-1997, but dropped to \$324/t in 1997-98, then recovered to \$380/t in 1998-1999 and 1999-2000. The substitution of one type of lentil with another is very limited. Therefore, it is common for wide price spreads to exist between different types of lentils. In 1999-2000, the prices of Laird and Eston lentils were considerably higher than the other types. Since there is no futures market for lentils, prices are negotiated directly between the dealers and customers, based on supply and demand factors for each type of lentil, for immediate delivery or for delivery at some future date.

Domestic Use

Canadian domestic use, which includes food, feed, seed, dockage, and waste, accounts for about 25% of production. It has been increasing in line with increased production. Only a small amount of low grade lentils is used for livestock feed. Lentils are generally used for food and either, canned, packaged dry for retail sale, or processed into soups, stews, flour, and snack food.

Exports

Canadian lentil exports have been increasing in line with increased production. Canadian exports were 209,000 t in 1991-1992, but rose to 520,000 t in 1999-2000. Canadian lentil exports are mostly to western Europe, the Middle East, northern Africa and the

western hemisphere.

The main importing countries, in order of importance, for 1999-2000 were: Turkey, Colombia, Algeria, Morocco, Spain, Egypt, Italy, Mexico, France, and Belgium. Although Lairds are exported all over the world, the main destinations are Spain, north-western and southern Europe, Algeria, South

America, and Central America (except Mexico). Richleas are exported mainly to the United States, north-western Europe, Spain and northern Africa. Estons are exported mainly to Morocco, Greece, Italy, Egypt, and Mexico. Reds are exported mainly to the Indian sub-continent, the Middle East and northern Africa, mostly de-hulled and split. Dark green speckled are exported mainly to France and brown mainly to Spain. Canadian producers and dealers are far more dependent on trade than their counterparts in most other countries.

OUTLOOK

World: 2000-2001

World production increased by 13% to about 3.27 Mt largely due to increased production in Canada. Total supply increased by 10% to about 3.57 Mt. Canada accounted for 28% of world production, compared to 24% in 1999-2000.

Canada: 2000-2001

Canadian harvested area increased by 38% to 688,000 hectares (ha) due to relatively good lentil price prospects compared to most other crops. Production increased by 26% to 914,000 t, with about 97% of the lentils produced in Saskatchewan. Five varieties of green

CANADA: LENTIL EXPORTS

| <i>August-July crop year</i> | 1996 -1997 | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001^f |
|----------------------------------|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------------------|
| |thousand tonnes..... | | | | |
| Middle East | 18 | 34 | 44 | 136 | 175 |
| South America | 93 | 110 | 94 | 121 | 140 |
| Europe | 105 | 112 | 100 | 117 | 120 |
| Africa | 42 | 44 | 73 | 93 | 115 |
| Central America and Caribbean | 18 | 25 | 28 | 27 | 40 |
| Asia and Oceania | 3 | 10 | 24 | 22 | 40 |
| United States | <u>7</u> | <u>14</u> | <u>9</u> | <u>4</u> | <u>10</u> |
| Total | 286 | 349 | 372 | 520 | 640 |

f: forecast, AAFC, December 2000

Source: Statistics Canada

lentils (Glamis, Sovereign, Grandora, Vantage, and Milestone) were introduced for commercial production. However, the seed supply available for seeding the Glamis, Sovereign, Grandora, and Vantage varieties was limited. It has become customary to refer to green lentils as large, medium, and small (based on seed size) because of the introduction of the new varieties. Large green lentils now include Laird, Glamis, Sovereign, and Grandora varieties, medium green lentils include Richlea and Vantage varieties, and small green lentils include Eston and Milestone varieties. The red lentil production consists of the varieties Crimson and Redwing, as well as two new varieties, Redcap and Robin, introduced in 2000-2001. However, the seed supply of Redcap and Robin was limited. Although production data by type is not available, there are indications that production of all types of lentils increased. The quality of the crop was average, but better than in 1999-2000.

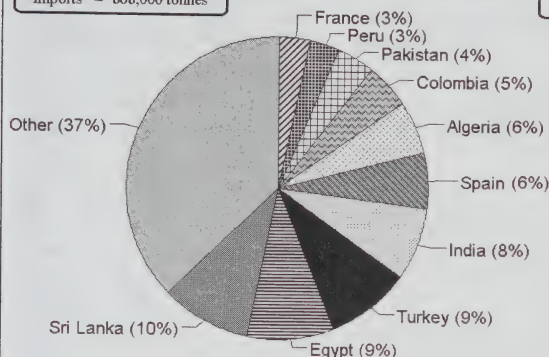
Total supply increased by 26% to 999,000 t, but exports are forecast to increase by 23% to 640,000 t because of strong demand and the increased Canadian share of total world supply. Canada's share of world exports is expected to grow to about 65-70%.

WORLD: LENTIL IMPORTS

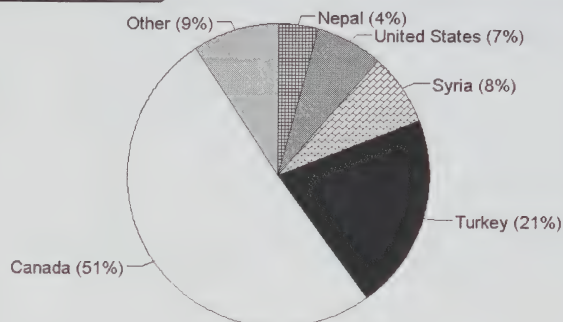
1998

WORLD: LENTIL EXPORTS

Imports* = 868,000 tonnes



Exports* = 737,000 tonnes



Source: FAO, December 2000

* The difference between world imports and exports is attributed to the timing of deliveries.

Export markets for the new green lentil varieties are expected to be the same as for the respective size older varieties. The export volume for the Vantage, Sovereign, Grandora, and Glamis varieties is expected to be small because of low production. Total domestic use is forecast to increase by 5% to 204,000 t. Carry-out stocks are forecast to increase significantly to 155,000 t, with a stocks-to-use ratio of 18%. Average prices for lentils have dropped more in 2000-2001 compared to 1999-2000 than for any other crop. The average producer price over all grades and types is forecast to drop by 15-20% to \$300-330/t, because of increased supply. The price spread between the various types of lentils is narrower than in 1999-2000, but there is a price premium for the large and small green lentils compared to the other types.

Canada: 2001-2002 and longer-term Canadian lentil seeded area for 2001-2002 will depend on the price prospects for lentils as compared to alternative crops. Increased supplies and carry-out stocks in 2000-2001 are expected to continue pressuring prices. Therefore, the potential for a significant price increase in 2001-2002 is limited, unless production decreases. Producer returns

for lentils are expected to be better than for some alternative crops and area seeded for lentils is expected to be similar to 2000-2001. Agriculture and Agri-Food Canada's first area and production forecasts for 2001-2002 will be released in early January 2001.

For the longer-term, seeded area to lentils in Canada is expected to continue trending upwards, although the rate of growth is not likely to be as high as during the 1990s. Canada's share of total world production is also expected to increase. Saskatchewan is expected to continue dominating lentil production in Canada because it has the largest land base suitable for producing lentils.

For periodic updates on the situation and outlook for lentils, visit the Market Analysis Division Website for "Canada: Special Crops Situation and Outlook".

For more information please contact:

Stan Skrypetz
Special Crops Analyst
Phone: (204) 983-8972
E-mail: skrypetzs@em.agr.ca

GREETINGS OF THE SEASON AND BEST WISHES FOR THE NEW YEAR

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Market Analysis Division,
Strategic Policy Branch,
Marketing Policy Directorate,
Agriculture and Agri-Food Canada.
 500-303 Main Street
 Winnipeg, Manitoba R3C 3G7
 Telephone: (204) 983-8473
 Fax: (204) 983-5524
 Editor: Gordon MacMichael
 E-mail: macmichaelg@em.agr.ca

Director: Maggie Liu
 Chief: Fred Oleson

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B. CASH PRICES AND REPLACEMENT VALUES

As of Monday Décembre 18, 2000

| PRAIRIE GRAINS | | | | | | | |
|-----------------------------|---------------------------------|---------------|---------------|---------------|-----------|---------------|---------------|
| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay | Track | WHEAT | 139.90 | 140.00 | | 133.70 | 119.80 |
| | | OATS | 117.77 | 117.77 | | N/A | N/A |
| | | BARLEY | 129.30 | 129.70 | | 127.00 | 108.00 |
| To: Bayports, Ont. | In-store | WHEAT | 163.00 | 163.10 | 1. | 156.80 | 141.36 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 156.45 | 156.85 | 1. | 154.15 | 134.75 |
| Montreal, Que. | In-store | WHEAT | 167.75 | 167.85 | 1. | 161.55 | 146.43 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 161.57 | 161.97 | 1. | 159.27 | 139.80 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 190.22 | 190.32 | | 184.02 | 167.68 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 187.93 | 188.33 | | 185.63 | 161.33 |
| Truro, N.S. | Truck via Halifax | WHEAT | 187.72 | 187.82 | | 181.52 | 165.18 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 183.05 | 183.45 | | 180.75 | 158.83 |
| Halifax, N.S. | In-store | WHEAT | 175.05 | 175.15 | 1. | 168.85 | 154.99 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 169.37 | 169.77 | 1. | 167.07 | 147.84 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 234.83 | 234.93 | | 228.63 | 214.73 |
| | | OATS | 223.97 | 223.97 | | N/A | N/A |
| | | BARLEY | 236.44 | 236.84 | | 234.14 | 210.67 |
| From: Melfort, Sask. | FOB | WHEAT | 135.00 | 135.50 | | 125.70 | 106.80 |
| | | OATS | 99.78 | 99.78 | | 105.14 | 111.00 |
| | | BARLEY | 125.90 | 128.00 | | 117.00 | 94.50 |
| To: Bayports, Ont. | Track | WHEAT | 191.12 | 191.62 | | 181.82 | 162.90 |
| | | OATS | 158.65 | 158.65 | | 164.01 | 176.37 |
| | | BARLEY | 179.29 | 181.39 | | 170.39 | 151.30 |
| Montreal, Que. | Track | WHEAT | 191.87 | 192.37 | | 182.57 | 163.66 |
| | | OATS | 159.55 | 159.55 | | 164.91 | 177.27 |
| | | BARLEY | 180.11 | 182.21 | | 171.21 | 152.12 |
| Moncton, N.B. | Track | WHEAT | 213.05 | 213.55 | | 203.75 | 184.83 |
| | | OATS | 182.89 | 182.89 | | 188.25 | 200.34 |
| | | BARLEY | 192.22 | 194.32 | | 183.32 | 173.68 |
| Truro, N.S. | Track | WHEAT | 213.22 | 213.72 | | 203.92 | 185.00 |
| | | OATS | 183.86 | 183.86 | | 189.22 | 203.78 |
| | | BARLEY | 205.84 | 207.94 | | 196.94 | 174.69 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 256.56 | 257.06 | | 247.26 | 228.33 |
| | | OATS | 231.24 | 231.24 | | 236.60 | 248.69 |
| | | BARLEY | 254.13 | 256.23 | | 245.23 | 222.99 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|-----------|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 126.21 | 128.45 | | 137.05 | 112.56 |
| To: Montreal, Que. (US Corn) | In-store | | 145.11 | 147.35 | 1. | N/A | 130.56 |
| From: Saginaw (Mi) | Track | | 115.59 | 115.89 | | 118.02 | 109.65 |
| To: Montreal, Que. (US Corn) | Track | | 143.13 | 143.43 | | 145.56 | 141.95 |
| From: Chatham | Track | | 133.56 | 134.54 | | N/A | 110.82 |
| To: Montreal, Que. | Track | | 156.45 | 157.43 | | 152.90 | 135.37 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 337.30 | 334.11 | | 321.65 | 247.36 |
| To: Montreal, Que. | Track | | 359.77 | 356.58 | | 344.12 | 271.03 |
| Moncton, N.B. | Track | | 377.08 | 373.89 | | 361.43 | 288.38 |
| Truro, N.S. | Track | | 380.05 | 376.86 | | 364.40 | 291.52 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 429.31 | 426.12 | | 413.66 | 338.82 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

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** Includes Canadian Special Crops Situation and Outlook and Supply & Disposition Table

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To receive back issues, please contact:
Market Analysis Division, 500-303 Main St., Winnipeg, Manitoba, R3C 3G7
Telephone: (204) 983-8473 Fax: (204) 983-5524

Market Analysis Division

500-303 Main Street

Winnipeg, Manitoba R3C 3G7

Fax: (204) 983-5524

Website: <http://www.agr.ca/policy/winn/biweekly/index.htm>

The Market Analysis Division provides timely market information, analysis and forecasting of supply, demand, trade and prices for the domestic and international grains, oilseeds, and special crop sectors to industry and governments.

The Division is responsible for recommendations of initial and adjustment payments for the Canadian Wheat Board (CWB) under the CWB Act and other organizations under the Agricultural Marketing Programs Act (AMPA); recommendations of advance payments for the CWB and other organizations under AMPA; price forecasts for crop insurance programs in consultation with the provinces; calculation of Indexed Moving Average Price, price forecasts for interim payout and determination of final market prices for the Ontario Market Revenue Insurance Plan in consultation with the Ontario Ministry of Agriculture, Food and Rural Affairs; forecasts of price and marketing for grains/oilseeds and special crops for farm income, and export projections to the US for the Quarterly Canada/US Grain Trade Consultations.

| | | |
|--------------------------|---|-----------------------|
| Maggie Liu | Director email: lium@em.agr.ca | (204) 983-8468 |
| Fred Oleson | Chief, Market Analysis email: olesonf@em.agr.ca | (204) 983-0807 |
| Gordon MacMichael | Senior Market Analyst / Editor: Bi-weekly Bulletin email: macmichaelg@em.agr.ca | (204) 983-8462 |
| Glenn Lennox | Wheat Analyst email: lennoxg@em.agr.ca | (204) 983-8465 |
| Dennis Jackson | Coarse Grains Analyst email: jacksond@em.agr.ca | (204) 984-8461 |
| Chris Beckman | Oilseeds Analyst email: beckmac@em.agr.ca | (204) 984-4929 |
| Stan Skrypetz | Special Crops Analyst email: skrypetzs@em.agr.ca | (204) 983-8972 |
| Stan Spak | Market Analyst email: spaks@em.agr.ca | (204) 983-8467 |
| Deanna Harrison | Market Analyst email: harrisond@em.agr.ca | (204) 983-8474 |
| Bobby Morgan | Market Analyst email: morganb@em.agr.ca | (204) 984-0680 |
| Sergio Novelli | Market Analyst email: novellis@em.agr.ca | (204) 983-6865 |
| Blair Cantafio | Desktop Publishing Technician email: cantafiob@em.agr.ca | (204) 983-8473 |
| K. Vera Wiebe | Clerk email: wiebev@em.agr.ca | (204) 984-0976 |

Bi-weekly Bulletin

January 5, 2001

Vol. 14 No. 1

WORLD AND CANADIAN MARKET OUTLOOK FOR GRAINS AND OILSEEDS IN 2001-2002

World non-durum wheat prices are expected to increase slightly in 2001-2002, due to declining world stocks, particularly in the U.S. Durum wheat prices, however, are expected to decline, as a result of lower world import demand and rising stocks in the major exporting countries. World and Canadian coarse grain prices are expected to increase slightly, largely due to higher U.S. corn prices. World oilseed prices are expected to weaken, mainly due to increased supplies of soybeans and lower U.S. soybean prices. Canadian canola and soybean prices are expected to decrease slightly from 2000-2001, while flaxseed prices are expected to increase. For most of the major crops, domestic support programs in the U.S. and the EU are expected to continue to encourage high production which will pressure prices downward.

Area seeded in Canada is expected to shift from durum wheat and canola into spring wheat, barley, oats, flaxseed and certain special crops. Total production of grains and oilseeds is expected to increase due to higher yields, particularly in Ontario, after poor growing conditions in 2000-2001 led to low yields for corn and soybeans. Canadian exports of grains and oilseeds are projected to rise marginally in 2001-2002 with higher exports of barley, oats, and flaxseed offsetting lower exports of wheat and canola. Imports are forecast to decrease significantly assuming corn production in Ontario increases to a normal level.

The market outlook for 2001-2002 is very tentative at the present time since there is a high degree of uncertainty regarding global supply and demand conditions. World stocks of wheat and coarse grains are low, and serious weather problems in any of the major importing or exporting countries could significantly increase prices. However, normal weather patterns have been assumed. In addition, some appreciation of the Canadian dollar relative to the U.S. dollar is expected.

WHEAT

World

Harvested **area** is forecast by Agriculture and Agri-Food Canada (AAFC) to be similar to 2000-2001, at an historically low level of 215 million hectares (Mha), due to continuing low prices for wheat.

Production is forecast to increase to 588 million tonnes (Mt), from 580 Mt in 2000-2001. Trend yields of 2.74 tonnes per hectare (t/ha) have been assumed which are 2% above 2000-2001, largely due to a return to normal levels in North Africa, the Middle East and China.

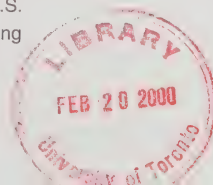
Supplies are expected to decline slightly from 2000-2001, to 698 Mt, as lower carry-in stocks, much of which is of low quality in

the EU and Australia, offset higher production.

U.S. wheat seeded area is expected to decline slightly from 2000-2001, as decreases in winter wheat area offsets higher spring wheat plantings. Harvested area is forecast at 53 million acres, similar to 2000-2001, due to lower abandonment, assuming normal winterkill of winter wheat. **Production** is forecast by AAFC to fall by 1%, to 2.19 billion bushels (bln bu), assuming a trend yield of 41.3 bushels per acre (bu/ac). Currently there is a high degree of uncertainty regarding the impact of the wet weather toward the end of the winter wheat planting season in the major U.S. Hard Red Winter (HRW) wheat growing

regions, which delayed planting and prevented some areas from being planted. All wheat **supplies** are projected to decrease by 4%, due to lower carry-in stocks and production.

EU wheat area is forecast to rise slightly, largely due to changes to EU oilseed subsidies which are expected to result in some oilseed area shifting into wheat. Assuming a near trend yield of 5.98 t/ha, **production** is forecast to rise by 1%, to a record 106 Mt. With carry-in stocks similar to 2000-2001, EU wheat **supplies** are expected to increase by 1%, to a record 120 Mt.



World wheat **consumption** is projected to remain similar to 2000-2001, at 597 Mt. An increase in food use, because of rising world population and continued recovery in the East Asian economies, is expected to be offset by a decline in use for animal feed. World **trade** is expected to rise slightly from 2000-2001 to 107 Mt, versus the 5-year average of 105 Mt. Reduced imports into North Africa and the Middle East are expected to be offset by increased imports by China and Pakistan.

Carry-out stocks are projected to decline by 8%, to just 101 Mt, as consumption outpaces production for the fourth consecutive year. The stock-to-use ratio is expected to be a record low of 17%. However, stocks in the U.S. and EU will remain at historically high levels, and the relatively low world stock level therefore provides limited support for prices. EU carry-out stocks are expected to rise by 5% to 15 Mt. U.S. stocks are forecast to fall by 13%, to 20.5 Mt, but the stock-to-use ratio will remain relatively high at 31%.

DURUM

World

Production is forecast to rise by 3%, to 35.6 Mt. Decreases in area in Canada and the U.S. are expected to be more than offset by production gains in North Africa, where yields are expected to return to normal after two years of severe drought. U.S. durum area is expected to decline slightly, due to strengthening spring wheat

prices and large carry-over stocks, but production is expected to rise by 2%, assuming a return to trend yields from the below normal level of 2000-2001. World **supply** is forecast to increase by 7%, to 38 Mt. **Trade** is forecast to fall by 8%, to 6.5 Mt, due to higher production in North Africa, the major durum importing region. **Carry-out stocks** are forecast to rise by 18% to 4.8 Mt, the highest since 1992-1993.

PRICES: WHEAT AND DURUM

Carry-out stocks in the five major wheat exporting countries are forecast to decline by 4%, to 46 Mt, the lowest since 1997-1998. These declining stocks are expected to result in a continuation of the slow increase in **wheat** prices that started in 2000-2001. U.S. Hard Winter Ordinary (HWO) wheat prices, free on board (FOB) U.S. Gulf, are forecast to rise to an average of US\$135-145 per tonne (/t) for 2001-2002 (June-May), compared to an estimated US\$125-135/t for 2000-2001, and US\$110/t in 1999-2000. The price for U.S. Dark Northern Spring (DNS) wheat with 14% protein (DNS 14), FOB St. Lawrence, is forecast at US\$155-165/t, also up by about US\$10/t from 2000-2001. Premiums for spring wheat on the Minneapolis Grain Exchange versus HRW wheat on the Kansas City Board of Trade are forecast to remain relatively low, assuming a larger production of spring wheat in 2001. Protein premiums are expected to remain strong, assuming normal protein levels in the U.S. HRW and spring wheat crops. High protein CWRS wheat is generally priced

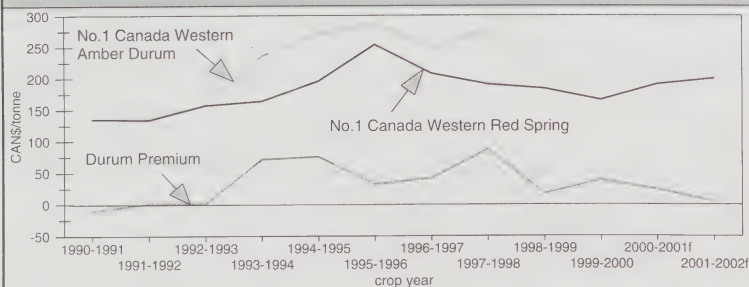
competitively with U.S. DNS 14 wheat, while lower protein CWRS and Canada Prairie Spring (CPS) wheat are usually priced competitively with U.S. HWO.

Durum prices are expected to decline in 2001-2002, due to larger world supplies and rising stocks. Supplies in the major exporting countries are expected to rise slightly to 21.5 Mt, the highest since 1992-1993, and import demand is expected to decline due to decreased requirements in North Africa. The U.S. No.3 Hard Amber Durum (HAD) price, FOB St. Lawrence, is forecast at US\$140-150/t (June-May), down by US\$5/t from 2000-2001.

Export subsidies are not expected to be a significant factor in the world wheat market. The U.S. has not used the Export Enhancement Program since June of 1995, and is currently making use of credit and food aid programs to stimulate exports, and loan deficiency payments (LDPs) to support farm prices. With rising world prices and the lower EU intervention price, only minimal EU subsidies are expected for commercial sales of wheat. However, the value of the Euro against the U.S. dollar will be critical in determining the need for export subsidies.

The average wheat LDP for 2000-2001 has been US\$0.45/bu, about CAN\$25/t, reducing U.S. and world prices. LDPs are expected to remain high in 2001-2002, although lower than 2000-2001, because average farm prices are forecast to rise.

CANADIAN WHEAT BOARD FINAL REALIZED WHEAT PRICES (1)



f. forecast, AAFC January 2001

Source: 1990-1991 to 1999-2000: CWB final pool returns

2000-2001; December 2000 CWB PRO

2001-2002; AAFC January 2000 forecast

(1) I/S VC/TB to 1994-1995; I/S VC/SL 1995-1996 to date.

CANADA

Non-durum wheat harvested area is expected to rise by 5%. A shift out of durum into spring wheat is expected in eastern Saskatchewan, due to lower forecast prices and quality problems in the past year. Continuing low canola prices are expected to result in a shift of canola area into spring wheat. **Production** is forecast to increase by 1%, to 21.3 Mt, assuming yields return to a trend level of 36 bu/ac, from 37.7 bu/ac in 2000-2001. **Supplies** are forecast to decline by about 2%.

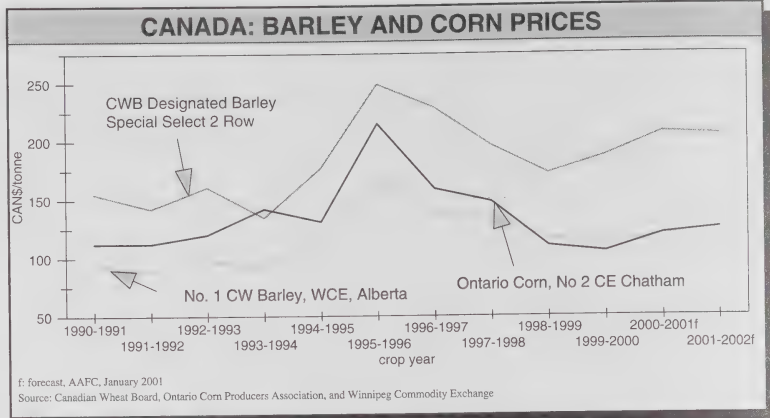
Domestic use is projected to decrease slightly, due to expected lower feed use related to the higher quality of the crop.

Exports are expected to decline by 2%, to 13.8 Mt, remaining well below the 10-year average of 16 Mt. **Carry-out stocks** are projected to remain unchanged from 2000-2001 at 5 Mt, versus the 5-year average of 6.9 Mt.

Durum area is projected to decrease by 5% due to a significant decrease in the expected premium for durum relative to CWRS wheat. Also, the quality problems encountered in 2000-2001 in the eastern prairies are expected to discourage production of durum. **Production** is forecast to decrease by about 5%, to 5.4 Mt, but this will be offset by higher carry-in stocks, and durum **supplies** are forecast to rise by 3%, to a record 7.7 Mt. **Exports** are projected to be unchanged, at 3.8 Mt, despite larger supplies, as world import demand, particularly from North Africa, is expected to soften, resulting in increased competition for export markets. **Carry-out stocks** are expected to rise by 13%, to a record 2.6 Mt.

Ontario winter wheat seeded **area** has declined by 14% due to a wet fall and a late soybean harvest. As a result, **production** is forecast to decline by 20%, to 1.1 Mt, assuming yields return to normal from the record level of 2000-2001. The Ontario Wheat Producers' Marketing Board's pool returns for No.1 or 2 CEWW are forecast by AAFC at \$115-125/t, terminal or processor position, \$10/t higher than in 2000-2001.

AAFC forecasts the 2001-2002 Canadian Wheat Board (CWB) pool returns for No. 1 CWRS 11.5% protein wheat at \$200/t, in-store Vancouver or St. Lawrence (I/S VC/SL), \$9/t higher than the 2000-2001 CWB December Pool Return Outlook (PRO). Pool returns for No. 1 Canada Western Amber Durum (CWAD) 11.5% protein are forecast by AAFC at \$205/t I/S VC/SL, compared to the 2000-2001 CWB PRO of \$215/t. The durum premium over spring



wheat is projected at only \$5/t, compared to \$24/t in 2000-2001.

For more information please contact:

Glenn Lennox
Wheat Analyst

Phone: (204) 983-8465

E-mail: lennoxg@em.agr.ca

COARSE GRAINS

World

World **production** of coarse grains is expected to increase by 1% due mostly to an increase in corn production. Supply is expected to decrease by 2% to 1,010 Mt due to lower carry-in stocks, which will support prices.

World **consumption** is forecast to increase slightly due to continued strong livestock feed demand and increased use of corn for ethanol production, related to increased petroleum prices.

For **U.S. corn, area seeded** is expected to decrease marginally from 2000-2001. High natural gas prices have helped to drive up fertilizer prices, which may discourage corn production since corn has relatively intensive fertilizer requirements. Strong support prices for soybeans are also expected to encourage producers to shift production away from corn. **Production** is expected to decline by 3%, to 9.8 bln bu, as yields return to the trend level of 135 bu/ac versus 137.7 bu/ac in 2000-

2001. **Supplies** are expected to decrease from 2000-2001 although higher carry-in stocks partially offset the decrease in production. **Domestic use** is forecast to increase, as feed demand remains strong and industrial use continues to expand due to strong energy prices. **Exports** are forecast to increase slightly due to increased feed demand. However, U.S. exports are expected to face increased competition from China. **Carry-out stocks** are expected to decrease, by 25%, with a stocks-to-use ratio of 14%.

In **China, corn production** is forecast to increase to 125 Mt, about 20% higher than the drought-reduced level of 2000-2001, due to higher yields. **Total supply** is expected to increase as higher production more than offsets lower carry-in stocks, which are expected to be about 19 Mt below 2000-2001. **Domestic use** is forecast to increase as a result of increased livestock production. China is expected to remain a net exporter of corn, with **exports** expected to increase. **Carry-out stocks** are forecast to remain similar to 2000-2001.

World **barley supplies** are expected to be similar to 2000-2001, as production increases by 2% to 135 Mt and offsets slightly lower carry-in stocks. **Demand** is expected to increase slightly to equal production, so that carry-out stocks remain unchanged.

In the **EU**, **barley supplies** are expected to decline slightly from 2000-2001, as **carry-in stocks** decrease but **production** is expected to remain similar to 2000-2001 with trend yields of 5.6 t/ha. Under commitments to Agenda 2000, the intervention price will fall by 7.5% in 2001-2002, as it did in 2000-2001. This will support domestic consumption which is expected to increase by 3% to 44 Mt.

Exports are expected to fall by 5% to 9 Mt due to lower exportable supplies. The EU is not expected to subsidize barley exports to a significant extent due to the expected strength in coarse grain prices, low carry-in stocks, and budget constraints.

Carry-out stocks are expected to decrease by 9% to 9.6 Mt which will support international barley prices.

In **Australia**, the supply and disposition of **barley** is expected to remain similar to 2000-2001. Australia is expected to remain a major player in barley export markets.

PRICES

The **U.S. Gulf corn** price is forecast to increase by US\$5/t to average about US\$105/t as U.S. corn carry-out stocks in 2001-2002 decrease significantly. The average U.S. farm price of corn is forecast to increase to US\$2.10/bu from US\$1.85/bu in 2000-2001. The average U.S. Pacific Northwest (PNW) feed **barley** price is also expected to increase by US\$5/t to about US\$115/t due to higher corn prices.

The average LDP to-date on corn for 2000-2001 has increased to US\$0.31/bu (CAN\$19/t) from US\$0.27/bu (CAN\$16/t) for 1999-2000. For 2001-2002, LDPs are expected to decrease slightly due to higher U.S. market prices.

CANADA

Production of coarse grains is forecast to increase by 16% due to increased area seeded and increased yields. **Supplies** are forecast to increase by 6% despite a

7% decrease in carry-in stocks. **Net exports** are forecast to increase significantly as barley exports increase and corn imports decrease significantly due to higher production.

Barley production is forecast to increase significantly as farmers react to favourable marketing opportunities and relatively strong prices for barley, particularly for malting barley. Average yields are expected to increase, especially in Alberta which experienced extremely dry conditions in 2000-2001. **Supply** is expected to increase by 8% to 17.9 Mt, despite lower carry-in stocks. **Domestic use** of feed barley is expected to increase due to higher cattle and hog production in western Canada.

Exports of feed barley are expected to increase significantly due to increased production and stronger international prices. Exports of malting barley are expected to increase slightly, due to strong international demand for beer. **Carry-out stocks** are expected to increase, from 2.9 Mt to 3.3 Mt as production exceeds consumption.

Off-Board feed barley prices are forecast at \$110-140/t (l/s Lethbridge), versus \$110-130/t for 2000-2001, as increased world coarse grain prices will support domestic prices. The CWB final pool return for No. 1 CW feed barley is forecast to increase by \$5/t from December PRO, at \$148/t l/s VC/SL, while the pool return for Special Select Two-Row designated barley is forecast to remain similar to 2000-2001, at \$190-220/t. The premium for two-row malting barley over six-row is expected to decline from 2000-2001 assuming that unfavourable weather conditions, which reduced the quality of the two-row crop in Canada, the EU, Australia, and the U.S., do not reoccur.

For **oats**, **production and supply** are forecast to increase from 2000-2001.

Exports are forecast to increase slightly because U.S. oat supplies are expected to decrease. The EU is forecast to export about 0.65 Mt versus 0.6 Mt in 2000-2001, assuming that the EU continues to subsidize oat exports. Production in Finland and

Sweden is expected to decline, and carry-out stocks in the EU are expected to decrease considerably to 0.8 Mt in 2001-2002.

Oat prices in Canada are based on U.S. oat prices, which generally trade at a consistent discount to U.S. corn prices. The Winnipeg Commodity Exchange cash price (l/s Minneapolis) is expected to increase by about \$5/t from \$120-150/t in 2000-2001.

For **corn**, **production** is forecast to increase significantly. Yields are expected to return to trend levels and area seeded is forecast to be similar to 2000-2001.

Imports are forecast to decrease by 47%, from the very high level of 2000-2001, to 0.8 Mt due to higher production. **Exports** are expected to increase slightly.

Domestic use is also forecast to increase as a result of increased supply and industrial use. A provisional duty on imports of U.S. corn into western Canada was imposed by the Canadian Customs and Revenue Agency in October 2000. A final determination is expected in the spring of 2001 and this could impact on the relative use of corn versus feed barley and wheat in western Canada for 2001-2002.

The **Chatham elevator corn price** is expected to increase by \$5/t from \$110-130/t expected for 2000-2001, due to higher U.S. corn prices.

For more information please contact:

Dennis Jackson
Coarse Grains Analyst
Phone: (204) 983-8461
E-mail: jacksond@em.agr.ca

OILSEEDS

World

World **production** of the eight major oilseeds (soybeans, cottonseed, peanuts, sunflowerseed, canola/rapeseed, copra, palm kernels, and flaxseed) is forecast to increase marginally from the estimated

record 306 Mt in 2000-2001. World soybean production is forecast to increase.

World **oilseed consumption** is projected to increase marginally to 309 Mt after increasing by 5 Mt in 2000-2001. World **carry-out stocks** are projected to decrease marginally from 2000-2001. **Trade** is expected to increase by 1 Mt, to 64 Mt. For **soybeans**, world crush is expected to increase to 145 Mt, from 143 Mt in 2000-2001, due to an increase in crush volumes in the U.S. and Asia.

For **U.S. soybeans**, the **area seeded** is expected to increase due to the favourable marketing loan rate for soybeans compared to corn and wheat, and because of higher fertilizer prices which favour the planting of soybeans rather than corn and wheat. Combined with an expected trend yield, **production** is projected to increase by about 5%, to 79.1 Mt, (2.91 bln bu) despite lower market prices.

For **South American soybeans**, the 2001-2002 crop will be harvested in the second quarter of 2002. For Brazil, seeded **area and production** are expected to increase slightly due to an anticipated rise in yields due to adequate moisture conditions and an expansion in the land base. Brazil is expected to continue to aggressively export soybeans and maintain low carry-out stocks. Similarly, for Argentina the area seeded to soybeans is expected to increase, resulting in increased **production**, despite continued low prices.

World **canola/rapeseed production** is expected to decrease by about 5% on lower production in Canada, Australia, and in the EU where area seeded and yields are expected to decrease. Chinese canola production is expected to be steady to slightly lower, at 10 Mt, due to lower domestic prices, due in part to the change in tariffs that promote the import of raw oilseeds.

World **flaxseed production** is expected to remain stable. Production of flaxseed is expected to increase in Canada due to the favourable price relative to other oilseeds and the low cost of inputs. Production in the EU is expected to decline due to the reduction in domestic subsidies.

PROTEIN MEAL AND EDIBLE OIL

For **soymeal**, world **production** is projected to rise by 2 Mt to about 116 Mt, primarily due to the increased supplies of soybeans within the U.S., Brazil, and Argentina. **Demand** is expected to increase due to the EU ban on animal meal use in livestock rations, increased world pork and poultry production, and an increase in per-capita disposable incomes. **Prices** of protein meals are expected to strengthen. As a result, crush margins and volumes are projected to increase.

For **edible oils**, world **production** is expected to increase, led by higher palm oil production and soybean crush, which is expected to offset a decline in canola/rapeseed, sunflower, and cottonseed crush. **Demand** for edible oil in China and other Asian countries is expected to remain strong, although this will increase trade in oilseeds rather than edible oils and protein meals. Consumption of vegetable oil is forecast to increase and world trade is expected to increase slightly. **Supplies of palm oil** are expected to increase and continue to be burdensome as palm trees continue to mature and begin production.

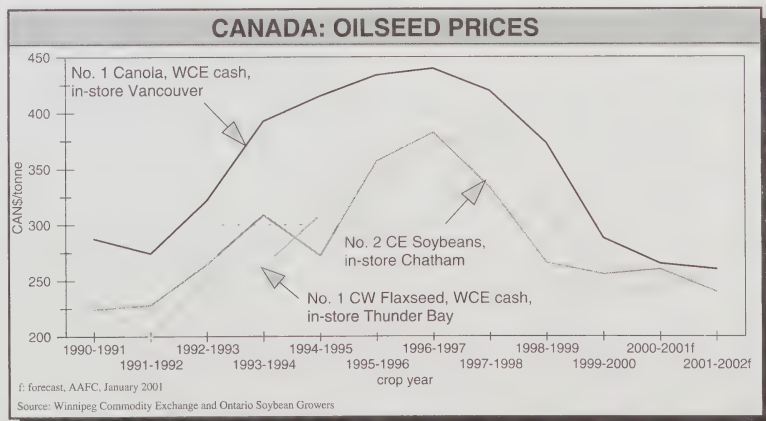
Increased trade and consumption of palm oil are expected to displace exports and usage of soyoil over the longer term.

PRICES

Increased carry-out stocks of U.S. soybeans are forecast to pressure oilseed prices, from an expected average of US\$4.80/bu for **U.S. soybeans** in 2000-2001 to US\$4.60/bu in 2001-2002. The average U.S. **soymeal** price is forecast to rise by about US\$10-20 per short ton (/st) to US\$180-215/st. World vegetable oil prices are expected to remain historically weak, pressuring the average U.S. **soyoil** prices down to US\$0.12-0.16 per pound (/lb) compared to US\$0.135-0.16/lb expected for 2000-2001. The average LDP to-date on soybeans has increased to US\$0.94/bu (CAN\$52/t) from US\$0.91/bu (CAN\$50/t) for 1999-2000. For 2001-2002, LDPs are expected to increase due to lower U.S. market prices for soybeans.

CANADA

For **canola**, harvested area is expected to decline by about 8%, to 4.5 Mha, and yields are expected to decrease to the five-year average. Although production is forecast to decrease significantly to 6.4 Mt, supply is projected to decline more modestly due to very high carry-in stocks. Domestic processing is expected to remain stable, near record highs, as processors take advantage of favourable crush margins and abundant supplies, although



export volumes may be constrained by a lack of export markets for canola oil. Exports are expected to decline due to increased competition from palm oil and soyoil for the major markets, i.e., Japan, China, and Mexico. Carry-out stocks are expected to decrease to historically more normal levels, but still remain well above average. Canadian canola prices are forecast to decline by \$5/t, to \$240-280/t I/S Vancouver, due to burdensome world supplies of palm and soyoil.

For **flaxseed**, area seeded is forecast to increase despite low prices. Yields are expected to rise to a more normal level. Although production is forecast to increase by 24%, supply is expected to decrease due to lower carry-in stocks. Exports are expected to increase to 0.7 Mt, from 0.65 Mt expected for 2000-2001, due to the rebound in EU demand. Carry-out stocks are forecast to decrease but still remain above average. Prices are

expected to increase by \$5/t, to \$230-270/t I/S Thunder Bay.

For **soybeans**, despite lower prices, area seeded is forecast to increase slightly because of reduced area seeded to winter wheat and relatively higher fertilizer costs for corn compared to soybeans. Yields are forecast to increase significantly, causing production to increase by about 11%.

However, supply is expected to increase only slightly due to lower imports and carry-in stocks. Domestic processing of soybeans is forecast to increase slightly from 2000-2001 because of ample supplies of raw beans and profitable crush margins. Exports are also projected to remain high as traders use Identity Preserved (IP) marketing techniques to market Canadian soybeans to niche markets. Carry-out stocks are expected to remain low. Soybean prices are expected to decline by about 6% to \$220-260/t, I/S Chatham, largely due to lower U.S. prices.

For more information please contact:

Chris Beckman

Oilseeds Analyst

Phone: (204) 984-4929

E-mail: beckmac@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

The Bi-weekly Bulletin is published by the: Market Analysis Division, Strategic Policy Branch, Marketing Policy Directorate, Agriculture and Agri-Food Canada, 500-303 Main Street Winnipeg, Manitoba R3C 3G7 Telephone: (204) 983-8473 Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

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WORLD: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

| | Area | Yield | Production | Total Supply | Trade | Use | Carry-out Stocks | Stocks-to-use Ratio | World Prices ^{1/} |
|-------------------------------|-------|--------|------------|--------------|----------------|-----|------------------|---------------------|----------------------------|
| | (Mha) | (t/ha) | | | million tonnes | | | (%) | (US\$/t) |
| Wheat | | | | | | | | | |
| 1997-1998 | 228 | 2.67 | 609 | 723 | 104 | 584 | 139 | 23.7 | 144 |
| 1998-1999 | 225 | 2.62 | 588 | 727 | 102 | 591 | 136 | 23.1 | 121 |
| 1999-2000 | 217 | 2.71 | 587 | 724 | 111 | 597 | 127 | 21.2 | 110 |
| 2000-2001p | 215 | 2.69 | 580 | 707 | 107 | 597 | 110 | 18.4 | 125-135 |
| 2001-2002f | 215 | 2.74 | 588 | 698 | 107 | 597 | 101 | 17.0 | 135-145 |
| Coarse Grains | | | | | | | | | |
| 1997-1998 | 311 | 2.84 | 885 | 1,019 | 86 | 873 | 148 | 17.0 | 110 |
| 1998-1999 | 308 | 2.85 | 890 | 1,038 | 97 | 868 | 170 | 19.6 | 93 |
| 1999-2000 | 303 | 2.90 | 876 | 1,046 | 104 | 882 | 165 | 18.7 | 88 |
| 2000-2001p | 301 | 2.85 | 859 | 1,024 | 101 | 885 | 140 | 15.8 | 90-110 |
| 2001-2002f | 300 | 2.90 | 870 | 1,010 | 103 | 886 | 124 | 14.0 | 95-115 |
| Oilseeds ^{2/} | | | | | | | | | |
| 1997-1998 | 185 | 1.56 | 289 | 307 | 54 | 278 | 28 | 10.1 | 233 |
| 1998-1999 | 192 | 1.54 | 294 | 322 | 55 | 292 | 30 | 10.3 | 177 |
| 1999-2000 | 195 | 1.55 | 302 | 332 | 64 | 303 | 29 | 9.6 | 172 |
| 2000-2001p | 193 | 1.59 | 306 | 335 | 63 | 308 | 27 | 8.8 | 165-185 |
| 2001-2002f | 193 | 1.58 | 308 | 333 | 64 | 309 | 26 | 8.4 | 160-180 |

Note: numbers may not add due to rounding

^{1/} Wheat: Hard Winter Ordinary, US Gulf; June-May crop year.

Coarse Grains: US Gulf No. 3 Yellow Corn; September-August crop year.

Oilseeds: Chicago Cash No. 1 Yellow Soybeans; September-August crop year.

^{2/} The 8 major oilseeds are soybeans, cottonseed, peanuts (whole), sunflowerseed, canola/rapeseed, copra, palm kernels and flaxseed.

p: preliminary USDA, AAFC estimates; f: AAFC January 2001 forecast.

Source: USDA, Oil World

AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Strategic Policy Branch - Market Analysis Division - Winnipeg, Manitoba

CANADIAN GRAINS AND OILSEEDS OUTLOOK : 2000-2001 JANUARY 10, 2001

Production of grains and oilseeds in Canada is estimated by Statistics Canada (STC) at 61.6 million tonnes (Mt) compared to 66.3 Mt in 1999-00 and the 10-year average of 60.7 Mt. In Western Canada, production of spring wheat, canola, flaxseed, oats and rye are lower than 1999-00 while the production of durum and barley are higher. The proportion of the Canada Western Red Spring wheat and durum crops falling into the top two grades is below both 1999-00 and the average. However, protein levels for both wheat and durum are above 1999-00 and near the average. In Eastern Canada, the production of corn decreased significantly due to the abnormally wet and cold growing conditions during 2000-01, with quality below normal.

Total exports of grains and oilseeds are forecast to increase slightly, to 28.2 Mt in 2000-01. Exports of durum, barley, canola, flaxseed and soybeans are expected to increase, while exports of spring wheat and oats are forecast to decrease from 1999-00. Imports are forecast to increase due to higher corn imports into eastern Canada related to the significant decrease in corn production in Ontario. Average prices for spring wheat, durum, coarse grains, malting barley, soybeans and flaxseed are expected to rise. Prices for canola are expected to fall. Although EU domestic subsidies remain high, to-date it has not used export subsidies for sales of barley into commercial markets, but it has granted subsidies on oats and recently a small subsidy on wheat. US Loan Deficiency Payments for 2000-01 have averaged US\$0.45/bu on 78% of the wheat crop, US\$0.33/bu on 65% of the corn crop, US\$0.28/bu on 73% of the barley crop, US\$0.30/bu on 91% of the oat crop and US\$0.94/bu on 73% of the soybean crop.

WHEAT (ex-durum)

Supplies have declined by 5%, with the 6% decrease in production partially offset by slightly higher carry-in stocks. Domestic use is forecast to remain at an historically high level due to strong feed demand. Exports are forecast to fall by 4%, to 14.1 Mt, well below the 10-year average of 16 Mt. Carry-out stocks are forecast to fall by 10% to a relatively low level of 5.0 Mt. The Canadian Wheat Board (CWB) Dec. 2000-01 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is down by \$1/t from Nov. at \$191/t, in-store Vancouver/St. Lawrence, \$24/t above 1999-00. The Dec. 1 Ontario Wheat Producers' Marketing Board's Estimated Pool Return for No.1 CEWWS is \$105-115/t, vs. the 1999-00 final realized price of \$106/t. Due to fusarium damage, about 0.3 Mt or 30% of the wheat delivered to the OWPMB in 2000-01 was of feed quality.

DURUM

Supplies are a record 7.4 Mt, 19% above 1999-00, due to a 31% increase in production to 5.6 Mt, the 2nd highest on record. Domestic feed use is forecast to increase, because a larger than normal proportion of the crop is expected to be in the lower grades due to sprouting. Exports are forecast to rise by 6%, to 3.8 Mt, due to increased import demand from North Africa, but further increases will be limited by inelastic demand and competition from other exporters. Carry-out stocks are forecast to increase to a record 2.3 Mt. The CWB 2000-01 PRO for No.1 CWAD 11.5% protein is \$215/t, up \$5/t from Nov. and \$8/t above 1999-00.

BARLEY

Supplies are 4% above 1999-00, due to higher production and carry-in stocks. Domestic feed use is expected to increase from 1999-00, partly due to lower corn use in western Canada. Livestock numbers in western Canada are forecast to increase late in the year. Feed barley exports are expected to increase. Malting barley exports are also expected to rise due to higher demand by China and the US, and reduced competition from the EU where the quality of the crop fell due to wet conditions. Competition from Australia has decreased because rain at harvest reduced the quality of the crop in some states. Carry-out stocks are forecast to decrease. The off-Board feed barley price is forecast to average \$120/t vs. \$110/t for 1999-00. The Dec. CWB PRO for No.1 CW Feed Barley increased by \$1/t from Nov. to \$143/t, vs. \$135/t for 1999-00. The PRO for Special Select Two Row Designated Barley was not changed from Nov. at \$207/t, vs. \$188/t for 1999-00.

OATS

Supplies have decreased from 1999-00 due to lower production and carry-in stocks. Exports are expected to fall marginally due to increased competition from the EU in the US market for feed oats. Carry-out stocks are expected to decrease. Average oat prices are expected to be similar to 1999-00.

CORN

Domestic supplies are 17% lower than in 1999-00 due to lower production, despite historically high carry-in stocks. Although total imports are forecast to increase significantly, imports into Western Canada are expected to decrease due to the provisional duty of US\$1.58/bu imposed by the Canada Customs and Revenue Agency. The duty was imposed on Nov. 7 on grain corn imported from the US into provinces west of the Manitoba/Ontario border. In Ontario and Quebec, imports of corn are

expected to increase due to lower production and the lower quality of the crop. Chatham corn prices are expected to increase due to lower supplies and higher US corn prices.

CANOLA

Canola supplies have declined by only 2% because the 19% decrease in production was largely offset by record-high carry-in stocks. Domestic crush is forecast to rise to a near record 3.1 Mt, due to abundant supplies and profitable crush margins, despite low vegetable oil prices. Exports to-date are 2.1 Mt, marginally below last year's price. Carry-out stocks are forecast to fall to 1.7 Mt, but remain burdensome. Canola prices are expected to decrease.

FLAXSEED (excluding Solin)

Flaxseed supplies have decreased by 8%, with the 32% decrease in production partly offset by higher carry-in stocks. Exports to Jan 5 are 67% above year ago levels due to increased EU demand. Carry-out stocks are forecast to fall by nearly 48%, and flaxseed prices are expected to increase from 1999-00.

SOYBEANS

Soybean supplies are below 1999-00 due to lower production in Ontario, related to wet and cold conditions. Imports are expected to fall. Exports are forecast to increase to a record high due to support from niche markets. Domestic crush is forecast to decrease slightly despite profitable crush margins and adequate supplies. Soybean prices are expected to increase from last year.

FURTHER INFORMATION:

WheatGlenn Lennox....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains..Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca

CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS (c)

January 10, 2001

| Grain and Crop Year (a) | Harvested Area kha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|--------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,974 | 1,116 | 523 | 335 | 177 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 132 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,400 | 839 | 400 | 135 |
| 2000-2001f | 1,220 | 2.35 | 2,864 | 10 | 3,274 | 1,800 | 984 | 490 | 115-135 |
| 2001-2002f | 1,090 | 2.32 | 2,530 | 10 | 3,030 | 1,800 | 1,030 | 200 | 120-150 |
| Lentils | | | | | | | | | |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 523 | 349 | 109 | 65 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 520 | 194 | 80 | 380 |
| 2000-2001f | 688 | 1.33 | 914 | 5 | 999 | 640 | 204 | 155 | 305-325 |
| 2001-2002f | 688 | 1.35 | 930 | 5 | 1,090 | 720 | 210 | 160 | 300-330 |
| Dry Beans | | | | | | | | | |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 261 | 59 | 40 | 500 |
| 2000-2001f | 165 | 1.62 | 268 | 30 | 338 | 265 | 63 | 10 | 495-515 |
| 2001-2002f | 166 | 1.90 | 315 | 20 | 345 | 270 | 65 | 10 | 505-535 |
| Chick Peas | | | | | | | | | |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 65 | 127 | 15 | 390 |
| 2000-2001f | 283 | 1.37 | 387 | 2 | 404 | 210 | 149 | 45 | 370-390 |
| 2001-2002f | 297 | 1.33 | 395 | 2 | 442 | 240 | 142 | 60 | 375-405 |
| Mustard Seed | | | | | | | | | |
| 1997-1998 | 292 | .83 | 243 | 2 | 283 | 166 | 69 | 48 | 398 |
| 1998-1999 | 279 | .86 | 239 | 1 | 288 | 162 | 76 | 50 | 348 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 165 | 77 | 115 | 285 |
| 2000-2001f | 208 | .97 | 202 | 1 | 318 | 170 | 68 | 80 | 260-280 |
| 2001-2002f | 218 | .96 | 210 | 1 | 291 | 170 | 71 | 50 | 265-295 |
| Canary Seed | | | | | | | | | |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 245 | 134 | 47 | 64 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001f | 164 | 1.04 | 171 | 0 | 261 | 165 | 41 | 55 | 230-250 |
| 2001-2002f | 172 | 1.13 | 195 | 0 | 250 | 170 | 45 | 35 | 235-265 |
| Sunflower Seed | | | | | | | | | |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 88 | 45 | 40 | 3 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001f | 69 | 1.72 | 119 | 15 | 175 | 60 | 80 | 35 | 310-330 |
| 2001-2002f | 73 | 1.51 | 110 | 15 | 160 | 60 | 80 | 20 | 315-345 |
| Buckwheat | | | | | | | | | |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001f | 15 | .93 | 14 | 1 | 16 | 8 | 7 | 1 | 285-305 |
| 2001-2002f | 15 | 1.13 | 17 | 1 | 19 | 10 | 8 | 1 | 280-310 |
| Total Special Crops | | | | | | | | | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 54 | 3,343 | 1,949 | 862 | 532 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,299 | 2,634 | 1,034 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,625 | 1,387 | 782 | |
| 2000-2001f | 2,812 | 1.76 | 4,939 | 64 | 5,785 | 3,318 | 1,596 | 871 | |
| 2001-2002f | 2,719 | 1.73 | 4,702 | 54 | 5,627 | 3,440 | 1,651 | 536 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

Source: Statistics Canada and industry consultations.

f - Agriculture and Agri-Food Canada forecast, January 5, 2001.

As of Monday December 18, 2000

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 46% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| Vancouver B.C. | This week | FOB | (1) 148.66 | N/A | 144.16 | (3) 197.00 | | 333.84 | (7) 207.25 | 114.00 | 370.00 | (4) 735.00 | 370.00 | | | | 455.00 |
| | Week ago | | (1) 148.66 | N/A | 144.16 | (3) 194.00 | | 331.29 | (7) 206.00 | 113.00 | 370.00 | (4) 735.00 | 360.00 | | | | 455.00 |
| Calgary | This week | FOB | (1) 125.50 | 105.00 | 121.00 | (3) 162.00 | | 353.50 | 179.00 | | 330.00 | (4) 760.00 | 440.00 | | | | 455.00 |
| | Week ago | | (1) 125.50 | 105.00 | 121.00 | (3) 160.00 | | 348.50 | 179.00 | | 330.00 | (4) 760.00 | 440.00 | | | | 455.00 |
| Alta | This week | FOB | (1) 123.00 | 111.50 | 110.00 | (3) 139.00 | | 346.00 | 205.00 | | 330.00 | (4) N/A | 440.00 | 151.00 | | | 455.00 |
| Saskatoon Sask. | This week | FOB | (1) 123.00 | 111.50 | 110.00 | (3) 139.00 | | 342.50 | 207.00 | | 330.00 | (4) N/A | 440.00 | 151.00 | | | 455.00 |
| Melfort | This week | FOB | (1) 135.00 | 99.78 | 125.90 | | | | | | | | | | | | |
| | Week ago | | 135.50 | 99.78 | 128.00 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | (1) 117.25 | 99.50 | 114.05 | (3) 136.00 | | 328.50 | 195.00 | | 325.00 | (4) 712.50 | 420.00 | | | | 385.00 |
| Man. | Week ago | | (1) 117.35 | 101.94 | 114.45 | (3) 136.00 | | 325.00 | 192.00 | | 325.00 | (4) 712.50 | 420.00 | | | | 385.00 |
| Thunder Bay Ont. | This week | Track | (1) 139.90 | 117.77 | 129.30 | | | | | | | | | | | | |
| | Week ago | | (1) 140.00 | 117.77 | 129.70 | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | (3) 126.21 | | | | | | | | | | | |
| | Week ago | Vessel | | | | (3) 128.45 | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | (1) 172.40 | N/A | 167.15 | | | | | | | | | | | | |
| | Week ago | | (1) 172.50 | 160.00 | 164.70 | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | (2) 133.56 | | | | | | | | | | | |
| | Week ago | | | | | (2) 134.54 | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | 341.67 | (5) N/A | 440.00 | 525.00 | 151.00 | 195.00 | 430.00 |
| | Week ago | | | | | | | | | | | (5) N/A | 440.00 | 525.00 | 149.00 | 195.00 | 420.00 |
| Hamilton Ont. | This week | N/A | | | | | FOB | 337.30 | 214.95 | | | | | | | | |
| | Week ago | | | | | | | 334.11 | 208.44 | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | (2) 139.61 | | | | | | | | | | | |
| | Week ago | | | | | (2) 139.71 | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | FOB | 353.40 | 224.76 | 128.00 | 353.00 | (5) 645.00 | 287.00 | 525.00 | 153.00 | 220.00 | 440.00 |
| | Week ago | | | | | | | 353.47 | 222.61 | 120.67 | 342.00 | (5) 645.00 | 276.00 | 525.00 | 151.00 | 220.00 | 440.00 |
| Trois-Riv. Que. | This week | In-store | (1) 168.90 | | 166.30 | (2) 156.78 | | | | | | | | | | | |
| | Week ago | | (1) 172.00 | | 168.70 | (2) 158.95 | | | | | | | | | | | |
| St-Jean Que. | This week | FOB | (1) 168.73 | 104.00 | 160.80 | (2) 146.94 | | | | | | | | | | | |
| | Week ago | | (1) 169.33 | 106.00 | 164.17 | (2) 146.35 | | | | | | | | | | | |
| St-Hyacinthe, Que. | This week | In-store | (1) 170.40 | | 164.80 | (2) 158.10 | FOB | 357.33 | | | | | | | | | |
| | Week ago | | (1) 170.83 | | 166.73 | (2) 157.37 | | 354.50 | | | | | | | | | |
| Quebec | This week | Track | (1) 197.47 | 193.35 | 190.77 | (2) 184.34 | FOB | 368.25 | 245.82 | | 389.50 | | 390.00 | | | | 469.00 |
| | Week ago | | (1) 193.50 | 193.35 | 188.47 | (2) 182.58 | | 367.20 | 244.72 | | 377.00 | | 390.00 | | | | 469.00 |
| Truro N.S. | This week | Water | (1)182.90 | N/A | N/A | 177.55 | | | | | | | | | | | |
| | Week ago | | (1)179.10 | N/A | N/A | 178.00 | | | | | | | | | | | |
| Truro N.S. | This week | Truck | (1) 169.20 | N/A | N/A | 163.55 | FOB | | | 284.75 | | (5) 620.75 | | | | | |
| | Week ago | | 165.50 | N/A | N/A | 164.00 | | | | 284.75 | | (5) 624.25 | | | | | |
| Halifax N.S. | This week | In-store | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section;
 Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5254 as of December 18, 2000
 Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No. 1 Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein, Fish Meal white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.
 (1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday December 18, 2000

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|-----------|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 139.90 | 140.00 | | 133.70 | 119.80 |
| | | OATS | 117.77 | 117.77 | | N/A | N/A |
| | | BARLEY | 129.30 | 129.70 | | 127.00 | 108.00 |
| To: Bayports, Ont. | In-store | WHEAT | 163.00 | 163.10 | 1. | 156.80 | 141.36 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 156.45 | 156.85 | 1. | 154.15 | 134.75 |
| Montreal, Que. | In-store | WHEAT | 167.75 | 167.85 | 1. | 161.55 | 146.43 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 161.57 | 161.97 | 1. | 159.27 | 139.80 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 190.22 | 190.32 | | 184.02 | 167.68 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 187.93 | 188.33 | | 185.63 | 161.33 |
| Truro, N.S. | Truck via Halifax | WHEAT | 187.72 | 187.82 | | 181.52 | 165.18 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 183.05 | 183.45 | | 180.75 | 158.83 |
| Halifax, N.S. | In-store | WHEAT | 175.05 | 175.15 | 1. | 168.85 | 154.99 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 169.37 | 169.77 | 1. | 167.07 | 147.84 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 234.83 | 234.93 | | 228.63 | 214.73 |
| | | OATS | 223.97 | 223.97 | | N/A | N/A |
| | | BARLEY | 236.44 | 236.84 | | 234.14 | 210.67 |
| From: Melfort, Sask. | FOB | WHEAT | 135.00 | 135.50 | | 125.70 | 106.80 |
| | | OATS | 99.78 | 99.78 | | 105.14 | 111.00 |
| | | BARLEY | 125.90 | 128.00 | | 117.00 | 94.50 |
| To: Bayports, Ont. | Track | WHEAT | 191.12 | 191.62 | | 181.82 | 162.90 |
| | | OATS | 158.65 | 158.65 | | 164.01 | 176.37 |
| | | BARLEY | 179.29 | 181.39 | | 170.39 | 151.30 |
| Montreal, Que. | Track | WHEAT | 191.87 | 192.37 | | 182.57 | 163.66 |
| | | OATS | 159.55 | 159.55 | | 164.91 | 177.27 |
| | | BARLEY | 180.11 | 182.21 | | 171.21 | 152.12 |
| Moncton, N.B. | Track | WHEAT | 213.05 | 213.55 | | 203.75 | 184.83 |
| | | OATS | 182.89 | 182.89 | | 188.25 | 200.34 |
| | | BARLEY | 192.22 | 194.32 | | 183.32 | 173.68 |
| Truro, N.S. | Track | WHEAT | 213.22 | 213.72 | | 203.92 | 185.00 |
| | | OATS | 183.86 | 183.86 | | 189.22 | 203.78 |
| | | BARLEY | 205.84 | 207.94 | | 196.94 | 174.69 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 256.56 | 257.06 | | 247.26 | 228.33 |
| | | OATS | 231.24 | 231.24 | | 236.60 | 248.69 |
| | | BARLEY | 254.13 | 256.23 | | 245.23 | 222.99 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|-----------|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 126.21 | 128.45 | | 137.05 | 112.56 |
| To: Montreal, Que. (US Corn) | In-store | | 145.11 | 147.35 | 1. | N/A | 130.56 |
| From: Saginaw (Mi) | Track | | 115.59 | 115.89 | | 118.02 | 109.65 |
| To: Montreal, Que. (US Corn) | Track | | 143.13 | 143.43 | | 145.56 | 141.95 |
| From: Chatham | Track | | 133.56 | 134.54 | | N/A | 110.82 |
| To: Montreal, Que. | Track | | 156.45 | 157.43 | | 152.90 | 135.37 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 337.30 | 334.11 | | 321.65 | 247.36 |
| To: Montreal, Que. | Track | | 359.77 | 356.58 | | 344.12 | 271.03 |
| Moncton, N.B. | Track | | 377.08 | 373.89 | | 361.43 | 288.38 |
| Truro, N.S. | Track | | 380.05 | 376.86 | | 364.40 | 291.52 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 429.31 | 426.12 | | 413.66 | 338.82 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | | As of Monday January 1, 2001 | | | | | | | |
|--|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|------------------------------|--|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | | | | | | | | |
| Vancouver | This week | FOB | (1) 148.66 | N/A | 145.16 | (3) 195.00 | | 361.00 | (7) 228.80 | 114.00 | 375.00 | (4) 735.00 | 375.00 | | | | 465.00 | | | | | | | | |
| B.C. | Week ago | | (1) 148.66 | N/A | 144.16 | (3) 197.50 | | 332.33 | (7) 200.15 | 114.00 | 375.00 | (4) 735.00 | 375.00 | | | | 465.00 | | | | | | | | |
| Calgary | This week | FOB | (1) 125.50 | 105.00 | 122.00 | (3) 164.00 | | 354.50 | 179.00 | | 335.00 | (4) 785.00 | 455.00 | | | | 465.00 | | | | | | | | |
| Alta | Week ago | | (1) 125.50 | 105.00 | 121.00 | (3) 164.00 | | 353.50 | 179.00 | | 330.00 | (4) 760.00 | 440.00 | | | | 455.00 | | | | | | | | |
| Saskatoon | This week | FOB | (1) 124.00 | 112.50 | 113.50 | (3) 142.00 | | 348.00 | 220.00 | | 335.00 | (4) N/A | 455.00 | | 150.67 | | 465.00 | | | | | | | | |
| Sask. | Week ago | | (1) 123.00 | 111.50 | 110.00 | (3) 140.00 | | 346.50 | 215.00 | | 330.00 | (4) N/A | 440.00 | | 151.00 | | 455.00 | | | | | | | | |
| Meiort Sask. | This week | FOB | (1) 133.40 | 99.78 | 124.50 | | | | | | | | | | | | | | | | | | | | |
| Sask. | Week ago | | (1)133.00 | 99.78 | 124.00 | | | | | | | | | | | | | | | | | | | | |
| Winnipeg | This week | FOB | (1) 117.95 | 110.43 | 110.55 | (3) 137.00 | | 330.00 | 213.00 | | 335.00 | (4) 682.50 | 420.00 | | | | 400.00 | | | | | | | | |
| Man. | Week ago | | (1) 118.35 | 110.10 | 110.75 | (3) 136.00 | | 328.50 | 210.00 | | 335.00 | (4) 712.50 | 420.00 | | | | 400.00 | | | | | | | | |
| Thunder Bay | This week | Track | (1) 140.40 | 117.77 | 128.50 | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 140.00 | 117.77 | 128.00 | | | | | | | | | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | (3) 132.74 | | | | | | | | | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | (3) 131.21 | | | | | | | | | | | | | | | | | | | |
| Bay Ports | This week | In-store | (1) 172.90 | N/A | 166.35 | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 172.50 | N/A | 165.85 | | | | | | | | | | | | | | | | | | | | |
| Chatham | This week | Track | | | | (2) 142.41 | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | (2) 137.69 | | | | | | | | | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 364.00 | (5) N/A | 450.00 | 525.00 | 151.00 | 195.00 | 440.00 | | | | | | | | |
| Week ago | | | | | | | | | | | 360.67 | (5) N/A | 450.00 | 525.00 | 151.00 | 195.00 | 440.00 | | | | | | | | |
| Hamilton | This week | N/A | | | | | FOB | 336.86 | 214.51 | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | 344.58 | 220.02 | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | (2) 142.27 | | | | | | | | | | | | | | | | | | | |
| Week ago | | | | | | (2) 141.29 | | | | | | | | | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | 106.00 | | | | | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | 106.00 | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | FOB | 357.88 | 239.97 | 133.83 | 364.00 | (5) 645.00 | 298.00 | 525.00 | 153.00 | 224.00 | 440.00 | | | | | | | | |
| Que. | Week ago | | | | | | | 361.26 | 239.53 | 132.17 | 364.00 | (5) 645.00 | 298.00 | 525.00 | 153.00 | 220.00 | 440.00 | | | | | | | | |
| Trois-Riv. | This week | In-store | (1) 169.40 | | 165.50 | (2) 162.10 | | | | | | | | | | | | | | | | | | | |
| Que. | Week ago | | (1) 169.00 | | 165.00 | (2) 160.13 | | | | | | | | | | | | | | | | | | | |
| St-Jean Que. | This week | FOB | (1) 166.18 | 104.00 | 160.00 | (2) 149.11 | | | | | | | | | | | | | | | | | | | |
| St-Hyacinthe Que. | Week ago | | (1) 165.88 | 104.00 | 159.50 | (2) 149.11 | | | | | | | | | | | | | | | | | | | |
| Quebec | This week | In-store | (1) 170.90 | | 164.00 | (2) 162.75 | FOB | 362.18 | | | | | | | | | | | | | | | | | |
| Que. | Week ago | | (1) 170.50 | | 163.50 | (2) 160.79 | | 362.40 | | | | | | | | | | | | | | | | | |
| Truro | This week | Track | (1) 196.27 | 193.35 | 190.42 | (2) 189.64 | FOB | 381.89 | 250.82 | | 400.50 | | 400.00 | | | | 469.00 | | | | | | | | |
| N.S. | Week ago | | (1) 196.70 | 193.35 | 190.17 | (2) 186.21 | | 381.34 | 249.12 | | 395.00 | | 400.00 | | | | 469.00 | | | | | | | | |
| Truro | This week | Water | (1)183.50 | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | | |
| N.S. | Week ago | & Truck | (1)182.90 | N/A | N/A | 177.55 | | | | | | | | | | | | | | | | | | | |
| Halifax | This week | In-store | (1) 174.50 | N/A | N/A | N/A | FOB | | | 288.50 | | | | | | | | | | | | | | | |
| N.S. | Week ago | | (1)169.20 | N/A | N/A | 163.55 | | | | 284.75 | | | | | | | | | | | | | | | |
| Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US\$1.00=CAN\$1.4963 as of January 2, 2001 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease. | | | | | | | | | | | | | | | | | | | | | | | | | |
| (1) Wheat 3CWSR (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley | | | | | | | | | | | | | | | | | | | | | | | | | |

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday January 1, 2001

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 140.40 | 140.00 | 139.20 | 121.50 |
| | | OATS | 117.77 | 117.77 | N/A | N/A |
| | | BARLEY | 128.50 | 128.00 | 126.50 | 110.90 |
| To: Bayports, Ont. | In-store | WHEAT | 163.50 | 163.10 | 162.30 | 143.06 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 155.65 | 155.15 | 153.65 | 137.65 |
| Montreal, Que. | In-store | WHEAT | 168.25 | 167.85 | 167.05 | 148.13 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 160.77 | 160.27 | 158.77 | 142.70 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 190.72 | 190.32 | 189.52 | 169.38 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 187.13 | 186.63 | 185.13 | 164.23 |
| Truro, N.S. | Truck via Halifax | WHEAT | 188.22 | 187.82 | 187.02 | 166.88 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 182.25 | 181.75 | 180.25 | 161.73 |
| Halifax, N.S. | In-store | WHEAT | 175.55 | 175.15 | 174.35 | 156.69 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 168.57 | 168.07 | 166.57 | 150.74 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 235.33 | 234.93 | 234.13 | 216.43 |
| | | OATS | 223.97 | 223.97 | N/A | N/A |
| | | BARLEY | 235.64 | 235.14 | 233.64 | 213.57 |
| From: Melfort, Sask. | FOB | WHEAT | 133.40 | 133.00 | 130.40 | 108.50 |
| | | OATS | 99.78 | 99.78 | 99.78 | 113.00 |
| | | BARLEY | 124.50 | 124.00 | 119.80 | 94.90 |
| To: Bayports, Ont. | Track | WHEAT | 189.52 | 189.12 | 186.52 | 164.60 |
| | | OATS | 158.65 | 158.65 | 158.65 | 178.37 |
| | | BARLEY | 177.89 | 177.39 | 173.19 | 151.70 |
| Montreal, Que. | Track | WHEAT | 190.27 | 189.87 | 187.27 | 165.36 |
| | | OATS | 159.55 | 159.55 | 159.55 | 179.27 |
| | | BARLEY | 178.71 | 178.21 | 174.01 | 152.52 |
| Moncton, N.B. | Track | WHEAT | 211.45 | 211.05 | 208.45 | 186.53 |
| | | OATS | 182.89 | 182.89 | 182.89 | 202.34 |
| | | BARLEY | 190.82 | 190.32 | 186.12 | 174.08 |
| Truro, N.S. | Track | WHEAT | 211.62 | 211.22 | 208.62 | 186.70 |
| | | OATS | 183.86 | 183.86 | 183.86 | 205.78 |
| | | BARLEY | 204.44 | 203.94 | 199.74 | 175.09 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 254.96 | 254.56 | 251.96 | 230.03 |
| | | OATS | 231.24 | 231.24 | 231.24 | 250.69 |
| | | BARLEY | 252.73 | 252.23 | 248.03 | 223.39 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|---------------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 132.74 | 131.21 | 135.99 | 113.36 |
| To: Montreal, Que. (US Corn) | In-store | | 151.64 | 150.11 | N/A | 131.36 |
| From: Saginaw (Mi) | Track | | 122.11 | 120.46 | 119.33 | 108.81 |
| To: Montreal, Que. (US Corn) | Track | | 149.65 | 148.00 | 146.87 | 141.11 |
| From: Chatham | Track | | 142.41 | 137.69 | N/A | 112.00 |
| To: Montreal, Que. | Track | | 165.30 | 160.58 | 157.73 | 136.55 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|---------------|---------------|
| From: Hamilton, Ont. | | | 336.86 | 344.58 | 345.46 | 245.59 |
| To: Montreal, Que. | Track | | 359.33 | 367.05 | 367.93 | 269.26 |
| Moncton, N.B. | Track | | 376.64 | 384.36 | 385.24 | 286.61 |
| Truro, N.S. | Track | | 379.61 | 387.33 | 388.21 | 289.75 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 428.87 | 436.59 | 437.47 | 337.05 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

January 19, 2001

Vol. 14 No. 2

CORN: SITUATION AND OUTLOOK

In recent years, world corn prices have been pressured by burdensome supplies. However, prices are expected to strengthen as carry-out stocks for 2000-2001 decline due to lower production and increased domestic use. In Canada, corn production has decreased significantly from 1999-2000 due to extremely poor crop growing conditions in Ontario and Quebec, which are its major corn growing provinces. As a result, Canada's imports of corn are forecast to increase to a record high. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for corn.

SITUATION: 2000-2001

Coarse Grains

World coarse grain **production**, as estimated by the United States Department of Agriculture (USDA), decreased to about 858 million tonnes (Mt) from 876 Mt in 1999-2000. Increased production in the United States (U.S.), the European Union (EU), and Brazil has been offset by lower production in Romania, China, Canada, and South Africa. Romania, for instance, has suffered its worst drought in years and, as a result, its coarse grains production is estimated to decrease to 5.1 Mt from 11.9 Mt produced in 1999-2000. **World trade** is expected to decrease by 3%, to about 101 Mt, due largely to lower imports by Russia, Brazil, South Korea, and Mexico. **Consumption** is forecast to increase to a record 882 Mt from 881 Mt in 1999-2000 due largely to increased consumption in the U.S., China and Brazil. **Carry-out** stocks are forecast to decrease to about 142 Mt from 165 Mt in 1999-2000, as most major coarse grain producing countries, except the U.S., experience significant reductions in their carry-out stocks.

Corn

World corn **production** is estimated to decrease to about 584 Mt from 605 Mt in 1999-2000. Corn represents about 70% of the world coarse grains market. Corn production is concentrated in the U.S. and China, producing about 40% and 20% of the world corn crop, respectively. World corn **supplies** are expected to

decrease by about 18 Mt from the 1999-2000 record of 727 Mt. World **carry-out** stocks are estimated to decrease significantly to about 105 Mt from the record of 125 Mt in 1999-2000.

In the **U.S.**, corn production is expected to increase to a record 9.97 billion bushels (bln bu) from 9.43 bln bu in 1999-2000. This is due to a near-record yield of 137.1 bushels per acre (bu/ac), up from 133.8 bu/ac in 1999-2000, and an increase in harvested area to 72.7 million acres (mln ac) from 70.5 mln ac in 1999-2000. Total domestic supplies are forecast at a record 11.7 bln bu, and in spite of increased domestic consumption and exports, carry-out stocks are forecast to remain burdensome at 1.8 bln bu, 5% above 1999-2000.

Since the introduction of the Federal Agricultural Improvement and Reform Act in 1996, the loan deficiency payment (LDP) program has provided strong support for U.S. producers. The program allows farmers who meet certain criteria to receive a one-time payment for the difference between the loan rate and their posted county price and, in return, they forego any further benefits from the marketing assistance loan program for that year. In a period of low market prices, relative to the loan rate, a farmer receives a substantial LDP payment, maintains ownership of the grain, and can then sell at a

higher price when prices strengthen. There is, however, a risk that prices could decrease even more after the farmer receives the LDP payout, eroding some of the gains from the payout.

The average farm price is forecast to increase slightly to US\$1.65-2.05 per bushel (/bu) from US\$1.82/bu in 1999-2000. For 2000-2001, LDP payouts on corn to-date have averaged US\$0.31/bu on 6.5 bln bu, which is about 65% of the crop. In 1999-2000, payouts for the year averaged US\$0.27/bu on 7.3 bln bu, or 77% of the corn crop.

China is the second largest corn producer in the world. In the last decade, area seeded to corn increased significantly as farmers responded to government programs aimed at making the country more self-sufficient in food. These

WORLD: CORN SUPPLY AND DISPOSITION

| September-August crop year | 1999 -2000 | 2000 -2001 | 2001 -2002f |
|-------------------------------|---------------|---------------|----------------|
|million tonnes..... | | | |
| Carry-in Stocks | 121.9 | 124.6 | 104.5 |
| Production | 605.2 | 584.4 | 596.0 |
| Supply | 727.1 | 709.0 | 700.5 |
| Consumption | 602.5 | 604.5 | 612.0 |
| Demand | 602.5 | 604.5 | 612.0 |
| Carry-out Stocks | 124.6 | 104.5 | 88.5 |
| Trade | 72.9 | 72.1 | 74.0 |

f: forecast, AAFC, January 2001

Source: USDA, January 2001

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

FEB 28 2000

Canada

policies and programs kept domestic corn prices considerably higher than world prices and contributed to China's overproduction and burdensome supplies.

For 2000-2001, the USDA estimates China's corn production at 105 Mt, versus 128 Mt in 1999-2000 and the record of 133 Mt in 1998-1999. Poor weather conditions in its major corn producing areas reduced yields by about 12%. Corn consumption is estimated to increase slightly with an expected increase in feed use. Carry-out stocks are forecast to decrease to 34 Mt from the record 53 Mt in 1999-2000.

Canada

Canada's corn production has steadily increased in response to a growing need for feed corn for its livestock industry and as input to the growing fuel ethanol industry. Some of Canada's increased corn production in the past few years is attributed to the availability of higher yielding and pest resistant varieties of corn. For example, Statistics Canada reports that 27% of the area devoted to grain corn for 2000-2001 was planted with genetically modified (GM) seed.

For 2000-2001, Canadian corn production decreased to 6.8 Mt from the record of 9.2 Mt in 1999-2000, due largely to reduced yields in Ontario and Quebec, which are the major corn growing

provinces. Although record high carry-in stocks are expected to offset some of the reduced production in these two provinces, net imports are expected to increase considerably. Canada's carry-out stocks are expected to decrease significantly.

In **Ontario**, the corn supply is about 9% below 1999-2000 and, despite abnormally high carry-in stocks from 1999-2000, imports are expected to increase by about 60%, to 0.75 Mt. Carry-out stocks are forecast at 0.6 Mt, about half of the 1999-2000 level of 1.1 Mt. Corn production is estimated at 4.5 Mt, down by about 1.3 Mt from 1999-2000. Yields decreased from 128 bu/ac to an estimated 105 bu/ac in 2000-2001 as poor weather conditions delayed planting and slowed down crop development. Ontario has historically produced about 70% of Canada's total corn production, however, that share dropped to about 65% in 2000-2001.

Chatham corn **prices** are forecast to average at \$120/t, up from \$107/t in 1999-2000. The Chatham corn price is largely determined by several factors including: the price of corn in the northern U.S.; supply/demand conditions in Canada, which determine whether Ontario is at an export or import competitive position; and the Canada/U.S. exchange rate. Corn is typically priced on an export basis immediately following harvest, however, due to the lower quantity and quality of the 2000-2001 crop, corn is expected to be priced on an import basis throughout most of the crop year.

In **Quebec**, corn production decreased to 2.0 Mt from 3.0 Mt in 1999-2000, compared to the 10-year average of 2.1 Mt. Despite relatively high carry-in stocks and a slight reduction in total use in 2000-2001, imports from the U.S. are forecast to more than triple, to about 0.7 Mt, due mostly to lower corn production in Quebec and Ontario. Carry-out stocks are forecast to decrease to 0.15 Mt in 2000-2001, versus 0.43 Mt in 1999-2000.

In **Manitoba**, corn production has increased significantly since the mid 1990s and, for 2000-2001, is estimated at a

15-year high of 264,200 t. Corn use, which is primarily for livestock feed and for distilling food grade alcohol, is expected to increase marginally due to continued expansion in the livestock sector. However, imports of U.S. corn are forecast to decrease considerably from 0.24 Mt in 1999-2000.

On July 10, 2000, the Manitoba Corn Growers Association filed a complaint alleging injurious dumping and subsidization of imports of grain corn from the U.S. The complaint is limited to imports into Canada west of the Ontario-Manitoba border and involves about \$50 million in imports over the period in question. The Canadian International Trade Tribunal (CITT) determined on October 10 that the evidence presented is a reasonable indication that the dumping and subsidizing of grain corn from the U.S. caused injury to the domestic industry. On November 7, the Canada Customs and Revenue Agency (CCRA) made a preliminary determination that grain corn imported from the U.S. into western Canada has been dumped at prices that were, on average, US\$1.01/bu below profitable levels and that U.S. corn was subsidized by, on average, US\$0.57/bu. Accordingly, a provisional countervail duty of US\$1.58/bu will be applied to grain corn imported from the U.S., and destined for locations west of the Manitoba/Ontario border.

The CCRA has preliminarily determined that the following U.S. farm programs constitute actionable subsidies: (a) loan deficiency and marketing assistance loans; (b) marketing loss assistance payments; and (c) federal crop insurance programs.

The CITT will now make a full inquiry into the question of injury to the Canadian corn industry with a final decision by March 7, 2001. At the same time, the CCRA will continue its investigation and make a final decision on dumping and subsidizing by February 5, 2001.

OUTLOOK: 2001-2002

World

For 2001-2002, world **coarse grain** supplies are expected to decrease slightly, due to lower carry-in stocks. Production is forecast to increase by 11 Mt to 870 Mt due mostly to higher corn production in

CANADA: CORN SUPPLY AND DISPOSITION

| <i>September-August crop year</i> | 1999 -2000 | 2000 -2001f | 2001 -2002f |
|---------------------------------------|-----------------------|------------------------|------------------------|
| Harvested Area (kha) | 1,141 | 1,088 | 1,182 |
| Yield (t/ha) | 8.03 | 6.27 | 7.50 |
|thousand tonnes..... | | | |
| Carry-in Stocks | 886 | 1,552 | 750 |
| Production | 9,161 | 6,827 | 8,863 |
| Imports | <u>1,022</u> | <u>1,500</u> | <u>800</u> |
| Total Supply | 11,069 | 9,879 | 10,413 |
| Exports | 226 | 150 | 200 |
| Food & Industrial Use | 2,020 | 2,047 | 2,100 |
| Feed | 7,240 | 6,900 | 7,231 |
| Seed | <u>31</u> | <u>32</u> | <u>32</u> |
| Total Use | 9,517 | 9,129 | 9,563 |
| Carry-out Stocks | 1,552 | 750 | 850 |
| Average Chatham price (CAN\$/t) | 107 | 110 -130 | 115 -135 |

f: forecast, AAFC, January 2001

Source: Statistics Canada and AAFC

China. With lower supplies, and a small increase in the consumption, the stocks-to-use ratio is expected to drop to about 14%, the lowest level since 1995-1996 (12%), and significantly lower than the 10-year average of 17%. World corn supplies are also expected to decrease. Lower supplies of U.S. corn are expected to offset higher supplies in China, Canada, and Australia.

United States

U.S. corn supplies are expected to decrease slightly to about 11.6 mln bu, despite relatively high carry-in stocks. Production is expected to decrease by about 2% from 2000-2001, to 9.8 bln bu. This is due in part to a reduction in corn area as farmers respond to high fertilizer prices and shift some of their land to soybean production. In addition, U.S. corn yields are expected to return to normal levels following record yields experienced in 2000-2001. Although feed use is expected to remain strong due to a good export market for beef and pork, any increases in U.S. total corn utilization may be limited by competition from China in the export markets. Nevertheless, U.S. carry-out stocks are expected to decrease considerably which would be supportive for corn prices.

Furthermore, due to the major increase in crude oil prices in 2000, the use of corn for ethanol production is expected to increase considerably. Over 5% of U.S. corn is currently used for the production of ethanol and other alternative fuels, and developments in this area will continue to influence corn prices, especially since about 95% of North America's ethanol is made from corn. In November 2000, the U.S. announced a US\$300 million program to expand ethanol production. This highlights the importance of ethanol in helping reduce dependence on imported crude oil and providing support for the agricultural sector.

The average U.S. farm price of corn is forecast to increase to US\$2.10/bu from US\$1.90/bu in 2000-2001. This implies a nearby average futures price on the Chicago Board of Trade of about US\$2.35/bu, 10% above 2000-2001. U.S. LDPs are expected to decrease slightly from 2000-2001 due to higher market prices.

China

Corn supplies in China are expected to increase significantly. Production is forecast to increase significantly to 125 Mt as yields recover from the drought-related lows of 2000-2001, offsetting the lower carry-in stocks. China's exportable surplus of corn is therefore expected to increase and provide increased competition to the U.S. in

some of the Asian markets. The anticipated admission of China into the World Trade Organization (WTO) is expected to increase trade opportunities for its member nations. Under a WTO accession agreement negotiated last year, China consented to eliminate export subsidies and improve market access for a wide array of food and agriculture products. As part of the accession agreement, China has committed to establish a tariff rate quota for corn. In its first year of WTO membership, China has agreed to allow access for 4.5 Mt of corn, increasing it to 7.2 Mt by the fourth year. During the past five years, China's imports of corn have been minimal, ranging from 75,000 to 287,000 t. The elimination or reduction in China's export subsidies would be supportive for U.S. corn prices since it would reduce the degree of competition in export markets.

Canada

Corn supplies in Canada are forecast to increase as increased domestic production offsets lower carry-in stocks. Area seeded is expected to increase by 3%, to 1.16 million hectares, and yields are expected to return to normal. Agriculture and Agri-Food Canada forecasts corn production at 8.9 Mt, versus 6.8 Mt in 2000-2001.

The International Biosafety Protocol

Developments in biotechnology have created a need for an effective protocol to deal with the new technology and its implications for world trade. Negotiations on the Cartagena Protocol on Biosafety (otherwise known as the Biosafety Protocol) were concluded in January 2000. The agreement regulates the international trade of living modified organisms (LMOs) which may have adverse effects on biodiversity. By definition, an LMO is any living biological entity that has been genetically modified and is still capable of transferring or replicating genetic material. Therefore, almost all processed products are not covered. The Protocol will provide a "biosafety clearinghouse" where industry can see which LMOs have been approved by which governments. The Protocol will require that shipments of LMO commodities be identified as such on the accompanying documentation.

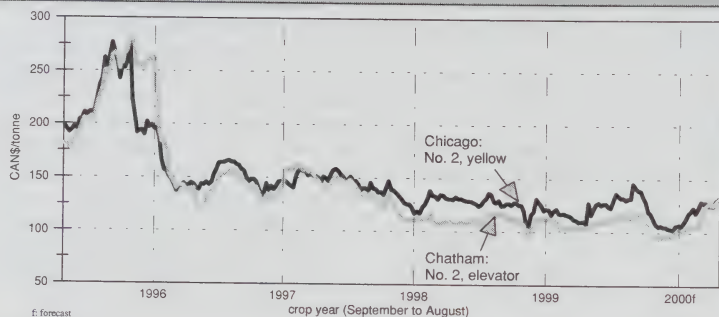
The Protocol was opened for signature by countries in May 2000 and will remain open until June 2001. To date, 80 countries have signed the Protocol. Canada has not signed yet and neither has Brazil, Japan, Australia, and South Africa. The U.S. will not be able to sign or ratify until they have first ratified the Convention on Biological Diversity, which is not likely to happen in the near future. The Protocol will not enter into force until 50 countries have ratified it. Currently, there are two ratifications and the Protocol could enter into force as soon as April 2002. In the meantime, Canada is working with other countries to facilitate the smooth and workable implementation of the Protocol. A key Canadian objective in the implementation process is to ensure that the Protocol cannot be used to unjustifiably restrict trade.

Biotechnology and the Markets

A key consideration in the planting decisions of farmers in major corn exporting countries such as the U.S. is whether genetically modified (GM) corn is approved by the EU for food use. To that extent, U.S. Processing giant Archer Daniels Midland's (ADM) has a policy on GM grains which clearly states that only corn containing transgenic corn gene/traits that have been approved by the EU is to be accepted at ADM's corn processing plants.

According to the USDA, the proportion of total area seeded to GM corn increased to almost 35% in 1999, but then dropped to 25% in 2000. Only about 5% of the GM corn produced in the U.S. is not approved for export to the EU. Of that 2000 figure, 18% is bacterium thuringiensis (Bt) corn, 6% herbicide resistant corn, and the remainder is some combination of the first two types. *Bacillus thuringiensis* is a naturally occurring soil bacterium that is deadly to the European corn borer, and it is this genetic characteristic that has been spliced to corn's DNA, giving Bt corn the ability to kill corn borer worms that feed on it. The U.S. Environmental Protection Agency (EPA) recently approved the use of Bt corn, claiming that it increases corn yields, reduces the use of farm chemicals (by about US\$100 million in 1999), and lessens ground water contamination.

CORN PRICES: CHICAGO VERSUS CHATHAM



Domestic consumption is forecast to increase due largely to increased ethanol production as the industry responds to higher crude oil prices. Looking forward to the future, Jungbunzlauer (JBL), a company with headquarters in Switzerland, is building its first citric acid plant in North America. The plant will be located in Port Colborne, Ontario and is expected to be in operation within two years. The plant will use dextrose (glucose) manufactured by Casco, a company whose wet milling facility will need to increase by 100,000 tonnes of corn per year (t/yr), in addition to the 300,000 t/yr already being milled by Casco.

With the return of domestic supplies to normal levels, Canada's corn imports for

2001-2002 are estimated at 0.8 Mt, about half of the forecast for 2000-2001. However, the outcome of the CITT/CCRA trade investigation, expected in the spring of 2001, will be a critical factor in determining corn imports into western Canada. Canada's carry-out stocks are expected to increase slightly, to 0.85 Mt, from the low levels in 2000-2001.

Prices

For 2001-2002, corn prices are expected to strengthen. The Chatham price is forecast at CAN\$115-135/t, up from CAN\$110-130/t in 2000-2001. Increased domestic consumption and spillover from higher corn prices in the U.S. will likely more than offset any pressures from increased Canadian corn supplies and forecasts for a stronger Canadian dollar.

For more information please contact:

Stan Spak
Market Analyst
Phone: (204) 983-8467
E-mail: spaks@em.agr.ca

or
Fred Oleson
Chief, Market Analysis Division
Phone: (204) 983-0807
E-mail: olesonf@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

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Director: Maggie Liu
Chief: Fred Oleson

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StarLink™ Corn

StarLink™ corn, developed by Aventis in the U.S., is a grain engineered to be pest resistant but is only approved in the U.S. for feed, and not for human consumption. It is currently being evaluated in the U.S. to determine if it contains allergenic components. Although there is a system in the U.S. to keep the grain separate, due to an error, the grain was inadvertently commingled. The effect of this mixture on U.S. corn exports is uncertain but there is evidence that the mishandling of StarLink™ corn on Midwest farms may have jeopardized overseas market opportunities. U.S. corn storage and delivery systems are not designed to handle a two-tiered corn export program. In the past, U.S. elevators have not had to segregate corn into that which is for animal feed and that which is strictly for human consumption. Japan, the largest customer for U.S. corn, wants assurances that shipments will be StarLink™-free.

Of the 80 mln bu of StarLink™ corn grown in 2000-2001, virtually all of it has either been put into storage or used for animal feed and non-food industrial use such as ethanol production.

StarLink™ corn is not visually distinguishable from other varieties of corn and, as a result, it has been inadvertently mixed with StarLink™-free corn. This has resulted in logistical delays and increased marketing costs. The cost of testing for StarLink™ is estimated at US\$0.06-0.08/bu, which Aventis has agreed to cover on a case-by-case basis.

Although only about 1% of Iowa's corn acreage was seeded with StarLink™ in 2000-2001, much of Iowa's corn supply was contaminated through commingling at either the farm or elevator level. Many farmers and grain operators did not realize that StarLink™ had to be kept separate from StarLink™-free corn.

StarLink™ corn is not approved for either use in Canada. The Canadian Grain Commission (CGC) requires that any U.S. corn delivered to a licensed elevator be certified as StarLink™-free. Certification must be based on official testing procedures established by the USDA, and all testing must be performed by Federal Grain Inspection Service or licensed designated agents. U.S. corn which is not certified in accordance with the above requirements is not accepted into Canada's licensed elevator system.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| | | | | | | | | | | | | | | | | | |
| Vancouver | This week | FOB | (1) 145.66 | N/A | 142.16 | (3) 180.00 | | 348.50 | (7) 226.00 | 114.00 | 380.00 | (4) 750.00 | 375.00 | | | | 470.00 |
| B.C. | Week ago | | (1) 148.66 | N/A | 145.16 | (3) 180.00 | | 354.00 | (7) 223.50 | 114.00 | 380.00 | (4) 750.00 | 375.00 | | | | 470.00 |
| Calgary | This week | FOB | (1) 122.50 | 105.00 | 119.00 | (3) 160.00 | | 330.50 | 179.00 | | 340.00 | (4) 800.00 | 455.00 | | | | 475.00 |
| Alta | Week ago | | (1) 125.50 | 105.00 | 122.00 | (3) 164.00 | | 341.50 | 179.00 | | 340.00 | (4) 800.00 | 455.00 | | | | 470.00 |
| Saskatoon | This week | FOB | (1) 124.00 | 112.50 | 113.50 | (3) 155.00 | | 324.00 | 210.00 | | 340.00 | (4) N/A | 455.00 | | 150.67 | | 475.00 |
| Sask. | Week ago | | (1) 124.00 | 112.50 | 113.50 | (3) 143.00 | | 334.00 | 203.00 | | 340.00 | (4) N/A | 455.00 | | 150.67 | | 470.00 |
| Melfort | This week | FOB | (1) 128.50 | 100.14 | 116.10 | | | | | | | | | | | | |
| Sask. | Week ago | | (1) 132.50 | 99.78 | 122.60 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | (1) 116.85 | 108.42 | 108.20 | (3) 140.00 | | 316.50 | 203.00 | | 335.00 | (4) 695.00 | 420.00 | | | | 400.00 |
| Man. | Week ago | | (1) 117.85 | 109.52 | 109.35 | (3) 138.00 | | 326.00 | 193.00 | | 335.00 | (4) 682.50 | 420.00 | | | | 400.00 |
| Thunder Bay | This week | Track | (1) 139.50 | 115.96 | 125.00 | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 139.50 | 117.77 | 126.60 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | (3) 125.64 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | (3) 130.52 | | | | | | | | | | | |
| Bay Ports | This week | In-store | (1) 165.50 | 172.00 | 163.55 | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 173.50 | 172.00 | 165.30 | | | | | | | | | | | | |
| Chatham | This week | Track | | | | (2) 137.49 | | | | | | | | | | | |
| Ont. | Week ago | | | | | (2) 140.15 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 369.00 | (5) N/A | 460.00 | 550.00 | 161.00 | 208.00 | 440.00 |
| Ont. | Week ago | | | | | | FOB | | | | 369.00 | (5) N/A | 455.00 | 535.00 | 156.00 | 208.00 | 440.00 |
| Hamilton | This week | N/A | | | | | | 325.51 | 211.97 | | | | | | | | |
| Ont. | Week ago | | | | | | | 332.01 | 205.25 | | | | | | | | |
| Eastern | This week | FOB | | | | (2) 141.78 | | | | | | | | | | | |
| Ontario | Week ago | | | | | (2) 143.11 | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | 540.00 | 153.00 | | |
| Ont. | Week ago | | | | | | | | | | | | | 525.00 | 148.00 | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | 540.00 | | | |
| Ont. | Week ago | | | | | | | | | | | | | 525.00 | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | 540.00 | 153.00 | | |
| Ont. | Week ago | | | | | | | | | | | | | 525.00 | 148.00 | | |
| Montreal | This week | FOB | | | | | | | | | | | | 525.00 | 148.00 | | |
| Que. | Week ago | | | | | | | | | | | | | 525.00 | 148.00 | | |
| Trois-Riv. | This week | In-store | (1) 169.50 | | 160.10 | (2) 157.18 | | | | | | | | | | | |
| Que. | Week ago | | (1) 170.50 | | 163.60 | (2) 159.83 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | (1) 164.25 | 105.50 | 154.60 | (2) 141.82 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | (1) 164.00 | 104.00 | 156.77 | (2) 146.06 | | | | | | | | | | | |
| Quebec | This week | In-store | (1) 168.00 | | 158.27 | (2) 154.55 | FOB | 342.59 | | | | | | | | | |
| Que. | Week ago | | (1) 170.00 | | 162.10 | (2) 158.92 | | 351.85 | | | | | | | | | |
| Truro | This week | Track | (1) 195.54 | 193.35 | 193.22 | (2) 185.89 | FOB | 376.05 | 250.88 | | 406.00 | | 410.00 | 550.00 | 163.00 | 225.00 | 479.00 |
| N.S. | Week ago | | (1) 195.61 | 193.35 | 193.22 | (2) 188.59 | | 378.20 | 254.46 | | 406.00 | | 405.00 | 535.00 | 158.00 | 225.00 | 479.00 |
| Truro | This week | Water | (1) 184.75 | N/A | N/A | N/A | | | | | | | | | | | |
| N.S. | Week ago | & Truck | (1) 184.30 | N/A | N/A | N/A | | | | | | | | | | | |
| Halifax | This week | In-store | (1) 175.75 | N/A | N/A | N/A | FOB | | | 274.75 | | (5) 640.00 | | | | | |
| N.S. | Week ago | | (1) 175.30 | N/A | N/A | N/A | | | | 274.75 | | (5) 640.00 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section;

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5045 as of January 15, 2001

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No. 1 Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday January 15, 2001

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 139.50 | 139.50 | 139.90 | 127.50 |
| | | OATS | 115.96 | 117.77 | N/A | N/A |
| | | BARLEY | 125.00 | 126.60 | 129.30 | 109.90 |
| To: Bayports, Ont. | In-store | WHEAT | 164.61 | 162.60 | 163.00 | 149.06 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 154.45 | 153.75 | 1. | 156.45 |
| Montreal, Que. | In-store | WHEAT | 169.46 | 167.35 | 1. | 167.75 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 159.96 | 158.87 | 1. | 161.57 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 191.96 | 189.82 | 190.22 | 175.38 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 186.02 | 185.23 | 187.93 | 163.23 |
| Truro, N.S. | Truck via Halifax | WHEAT | 189.40 | 187.32 | 187.72 | 172.88 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 181.14 | 180.35 | 183.05 | 160.73 |
| Halifax, N.S. | In-store | WHEAT | 176.73 | 174.65 | 1. | 175.05 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 167.47 | 166.67 | 1. | 169.37 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 234.43 | 234.43 | 234.83 | 222.43 |
| | | OATS | 222.16 | 223.97 | N/A | N/A |
| | | BARLEY | 232.14 | 233.74 | 236.44 | 212.57 |
| From: Melfort, Sask. | FOB | WHEAT | 128.50 | 132.50 | 135.00 | 110.00 |
| | | OATS | 100.14 | 99.78 | 99.78 | 111.00 |
| | | BARLEY | 116.10 | 122.60 | 125.90 | 94.80 |
| To: Bayports, Ont. | Track | WHEAT | 184.62 | 188.62 | 191.12 | 166.10 |
| | | OATS | 159.01 | 158.65 | 158.65 | 176.37 |
| | | BARLEY | 169.49 | 175.99 | 179.29 | 151.60 |
| Montreal, Que. | Track | WHEAT | 185.37 | 189.37 | 191.87 | 166.86 |
| | | OATS | 159.91 | 159.55 | 159.55 | 177.27 |
| | | BARLEY | 170.31 | 176.81 | 180.11 | 152.42 |
| Moncton, N.B. | Track | WHEAT | 206.55 | 210.55 | 213.05 | 188.03 |
| | | OATS | 183.25 | 182.89 | 182.89 | 200.34 |
| | | BARLEY | 182.42 | 188.92 | 192.22 | 173.98 |
| Truro, N.S. | Track | WHEAT | 206.72 | 210.72 | 213.22 | 188.20 |
| | | OATS | 184.22 | 183.86 | 183.86 | 203.78 |
| | | BARLEY | 196.04 | 202.54 | 205.84 | 174.99 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 250.06 | 254.06 | 256.56 | 231.53 |
| | | OATS | 231.60 | 231.24 | 231.24 | 248.69 |
| | | BARLEY | 244.33 | 250.83 | 254.13 | 223.29 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|---------------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 125.64 | 130.52 | 126.21 | 123.24 |
| To: Montreal, Que. (US Corn) | In-store | | 146.76 | 149.42 | 1. | N/A |
| From: Saginaw (Mi) | Track | | 119.16 | 124.62 | 115.59 | 115.82 |
| To: Montreal, Que. (US Corn) | Track | | 146.70 | 152.16 | 143.13 | 148.12 |
| From: Chatham | Track | | 137.49 | 140.15 | N/A | 117.32 |
| To: Montreal, Que. | Track | | 160.38 | 163.04 | 156.45 | 141.87 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|---------------|---------------|
| From: Hamilton, Ont. | | | 325.51 | 332.01 | 337.30 | 260.69 |
| To: Montreal, Que. | Track | | 347.98 | 354.48 | 359.77 | 284.36 |
| Moncton, N.B. | Track | | 365.29 | 371.79 | 377.08 | 301.71 |
| Truro, N.S. | Track | | 368.26 | 374.76 | 380.05 | 304.85 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 417.52 | 424.02 | 429.31 | 352.15 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

February 9, 2001

Vol. 14 No. 3

CHICK PEAS: SITUATION AND OUTLOOK

Interest in the production of chick peas has increased significantly during the last five years as producers searched for alternatives to traditional crops. The relatively strong prices for chick peas, due to steady demand, stimulated increased production. Commercial production of chick peas in Canada, which began in 1995, has increased steadily every year. Canada was the fourth largest producer in the world in 2000-2001. Canadian production is forecast to increase again in 2001-2002. Although Canada accounted for only 4.4% of world production in 2000-2001, it is expected to be the world's largest exporter, for the first time, accounting for 30-35% of world exports. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for chick peas.

BACKGROUND

Agronomics

Chick peas were first produced in the Middle East about 7,000 years ago. The two commercial types of chick peas produced are desi and kabuli. Kabuli chick peas, also known as garbanzo beans, have a larger, cream-coloured seed with a thin seed coat. The desi type has a smaller, darker coloured seed with a thick seed coat. Chick peas thrive under good moisture conditions with daytime temperatures between 21 to 29 degrees Celsius ($^{\circ}\text{C}$) and nighttime temperatures near 20°C . Length of maturity depends on available heat and moisture, but is in the range of 95-105 days for desi type and 100-110 days for kabuli type. Chick peas are best adapted to the Brown and Dark Brown soil zones of south-western Saskatchewan and south-eastern Alberta where production problems of seedling blight, aschochyta blight and late maturity are less common. Chick peas are relatively drought tolerant due to the long tap root. They are not well adapted to high moisture areas, saline soils, soils which are slow to warm in the spring and wet or waterlogged soils. It may be advantageous to avoid seeding chick peas in low lying areas of the field, around sloughs or in areas of high soil organic matter to prevent uneven or prolonged maturity.

Chick pea production works well in rotation with cereal grains such as spring or durum wheat. Aschochyta susceptible

varieties should not be grown. In areas where aschochyta blight is a problem, chick peas should not be seeded in the same field more than one year in four. Few herbicides are acceptable in chick pea production, therefore selection of a clean field is essential. The use of seed treatment is recommended for the kabuli type of chick peas to protect the seed from soil borne diseases.

Seeding depth of chick peas should be 3.5-6.0 centimetres, or 1.5-2.5 inches. Seeding rates depend on seed size and percentage germination. Optimum seeding rates are 90-105 kilograms/hectare (kg/ha), or 80-95 pound per acre (lb/ac) for the desi type and 135-155 kg/ha (120-140 lb/ac) for the kabuli type. The minimum soil temperature at seeding depth recommended for desi type is 7°C , but germination will occur at 5°C . The desi type should be seeded as early as the soil temperature is acceptable, since seedlings are frost tolerant and the crop requires a long season to mature. For the kabuli type, the minimum soil temperature should be near 10°C . The kabuli type are easily infected by soil borne fungi, therefore warmer soil is required for rapid germination and emergence of seedlings to reduce the time exposure to soil borne diseases. Nitrogen fertilizer is usually not required since chick peas possess the ability to fix nitrogen from the air in nodules on the roots where it is used for plant growth. To maximize the nitrogen fixation ability, chick pea seed or the soil surrounding the seed, should be inoculated with the chick pea

strain of nitrogen-fixing inoculant. Other fertilizer should be applied based on soil test.

Harvesting of chick peas can take place when the seed moisture is 18%. Initial combine settings should be similar to those for dry peas, however an increased cylinder or rotor speed, compared to combining lentils or dry peas, may be required to remove the seed from the pod. Care must be taken not to damage the seed, especially the kabuli type. Chick peas can be stored at 14% or less moisture. Chick peas may test dry after harvest, but it takes some time for the moisture in the large seed to equalize across the entire seed. Producers should break open a number of seeds to determine if the interior is as dry as the exterior. The center of the seed must snap before it is really dry. Aeration is needed to prevent the development of mould. The use of conveyors instead of augers when handling chick peas, will reduce mechanical damage. Kabuli chick pea colour is important because buyers prefer a yellowish-cream colour. The stage of crop development should be closely monitored as weathered seed and dark seed discolouration (green, brown, black) makes the seed less desirable to most processors and consumers. Slight bleaching can occur in the swath. Early fall frost can result in green discolouration of immature kabuli chick pea seed, which will reduce the value of the crop. Other important factors affecting visual quality

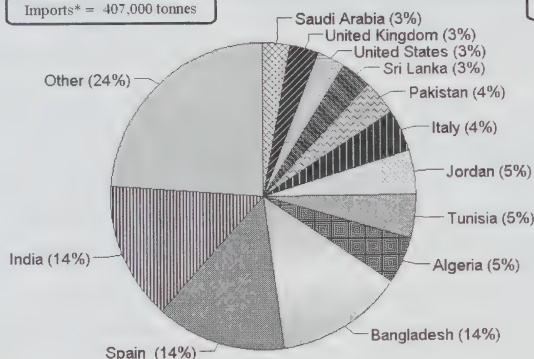


WORLD: CHICK PEA IMPORTS

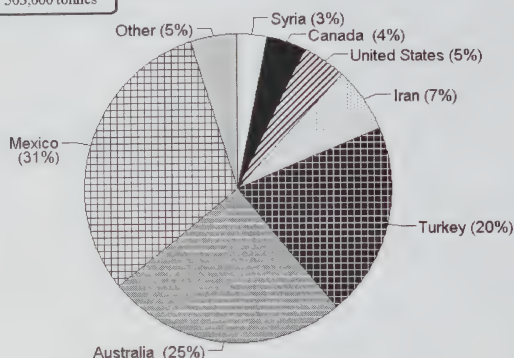
1999

WORLD: CHICK PEA EXPORTS

Imports* = 407,000 tonnes



Exports* = 503,000 tonnes



Source: FAO, February 2001

* The difference between world imports and exports is attributed to the timing of deliveries.

are levels of admixture, seed size and seed uniformity.

Uses and Nutrition

Chick peas are used almost exclusively for human consumption. The desi type seed must be dehulled and is used whole or split or milled. In India and surrounding countries, the desi chick peas are used whole, shelled and split to produce dhal, or ground into a fine flour called besan. Besan is used in many ways for cooking, including mixed with wheat flour to make roti or chapatti, and for making sweets and snacks. Chick peas are also used as a vegetable. In the Middle East, consumption is based on a popular dish known as "hommus" which is produced from mashed chick peas mixed with oil and spices.

The kabuli type are used mainly in salad bars and vegetable mixes. They are also used in preparing a wide variety of snack foods, soups, sweets, and condiments. Smaller size kabuli chick peas are also milled for flour. The demand for large

size kabuli chick peas in North America is growing.

Chick peas are an excellent source of protein, fibre, complex carbohydrates, vitamins, and minerals. They are low in sodium and fat, and can be used in gluten-free, diabetic, low salt, low calorie, low cholesterol, and high fibre diets.

WORLD

Production

World production ranged from 6.65 million tonnes (Mt) in 1992-1993 to 8.94 Mt in 1999-2000. India accounted for 69% of world production while Pakistan, Turkey, Canada, Mexico, Iran, and Australia accounted for an additional 23% in 2000-2001. Production among individual countries has been variable, but during the past 10 years there has been a downward trend in Australia, Turkey and Iran. Canada was the only country with a major upward trend in chick pea production. Countries in the Indian sub-continent and Australia produce mainly the desi type, Canada produces both the kabuli and desi types,

and the remaining countries produce mainly the kabuli type. World production consists of about 85% desi type and 15% kabuli type.

Consumption and Trade

More than 90% of the chick peas are consumed in the countries where they are produced. World exports during the 1990s were variable, ranging from 313,000 tonnes (t) to 878,000 t per calendar year. In 1999, the latest year for which world trade statistics are available, exports were 503,000 t and imports were 407,000 t. The timing of delivery accounts for the large difference between exports and imports. The top three exporting countries (Mexico, Australia, and Turkey) accounted for 76% of exports. Imports were distributed much more widely than exports, with the top 12 countries accounting for 76% of imports. The top 12 importing countries were India, Spain, Bangladesh, Algeria, Tunisia, Jordan, Italy, Pakistan, Sri Lanka, United Kingdom, United States, and Saudi Arabia. During the 1990s, India was the largest importer of chick peas, but imports were extremely variable, depending largely on the volume of production in India. Because of the variability in India's imports, there was large variability in total world imports. Without including India, world imports were more stable. India and surrounding countries import mainly the desi type, while countries in the western hemisphere, Europe, the Middle East and northern Africa import mainly the kabuli type.

WORLD: CHICK PEA TRADE

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|--------------|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| |thousand tonnes..... | | | | | | | | |
| Imports: | | | | | | | | | |
| India | 99 | 77 | 150 | 58 | 13 | 122 | 381 | 110 | 59 |
| Other | 357 | 376 | 481 | 396 | 282 | 432 | 378 | 343 | 348 |
| World | 456 | 453 | 631 | 454 | 295 | 554 | 759 | 453 | 407 |
| Exports: | | | | | | | | | |
| World | 587 | 427 | 542 | 452 | 313 | 586 | 878 | 594 | 503 |

Source: FAO, February 2001

WORLD: CHICK PEA PRODUCTION

| | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002f |
|-----------------|---------------------------|---------------|---------------|---------------|----------------|
| |thousand tonnes..... | | | | |
| India | 5,566 | 6,127 | 6,700 | 6,200 | 6,000 |
| Pakistan | 594 | 767 | 698 | 565 | 550 |
| Turkey* | 720 | 625 | 565 | 540 | 550 |
| Canada** | 15 | 51 | 197 | 387 | 450 |
| Iran | 267 | 249 | 171 | 200 | 200 |
| Mexico | 244 | 98 | 211 | 210 | 180 |
| Australia*** | 200 | 160 | 187 | 146 | 160 |
| Ethiopia | 118 | 137 | 139 | 135 | 135 |
| Myanmar | 89 | 89 | 68 | 86 | 80 |
| United States* | 18 | 19 | 34 | 60 | 80 |
| Other | 441 | 506 | 374 | 411 | 425 |
| World | 8,272 | 8,828 | 9,344 | 8,940 | 8,810 |

f: forecast, AAFC, February 2001

Source: FAO, except *USDA, **Statistics Canada, and ***ABARE
February 2001

CANADA

Production

Commercial chick pea production in Canada started in 1995-1996 at about 1,000 t, but increased rapidly during the next 6 years to 387,000 t in 2000-2001, when about 50% of the production was the kabuli type and 50% the desi type. Included in the kabuli chick pea production are the small kabuli chick peas, which have a more uniform seed size of about 7 millimetres (mm). Yields of the desi type are about 15% higher than of the kabuli type. Saskatchewan accounted for about 96% of Canadian production in 2000-2001, and 4% was produced in Alberta.

Marketing

All of the chick peas produced in Canada are sold on the open market to dealers. There are about 25 dealers, mainly in Saskatchewan, who buy, clean and ship chick peas to domestic and export consumers. Chick peas are shipped mainly in containers. The dealers are mainly small, family owned businesses, although larger companies and co-operatives are also involved in buying chick peas. There are several processing plants in Saskatchewan which dehull and split desi chick peas. Some chick peas are grown, under production contracts, which guarantee a price for part of the production, and others are sold on the spot market. Market development activities are conducted under the leadership of Pulse Canada, a national organization of producers, processors,

and exporters of Canadian pulses.

Prices

The average price over both types and all sizes and grades for 2000-2001 is forecast at \$375-395/t, with the midpoint decreasing slightly from \$390/t in 1999-2000. Although prices of the kabuli type are higher than of the desi type, they are also more volatile. Prices of the kabuli type increase as the size of the seed increases. The producer receives a weighted average price

for kabuli chick peas based on the percentage of various sized seed. There are also small kabuli chick peas, the price of which is generally higher than for the 7 mm, but lower than the 8 mm size. Since there is no futures market for chick peas, prices are negotiated directly between the dealers and customers based on supply and demand factors for each type of chick pea. The prices negotiated could be for immediate delivery or for delivery at some future date.

Domestic Use and Exports

Domestic use which includes food, feed, seed, dockage and waste has been increasing in line with increasing production. Since production of chick peas has been growing rapidly, a significant portion of the production has been used for seed. Only small volumes of low quality chick peas are used for livestock feed, however nutritional analysis indicates that they make an excellent feed.

Canadian chick pea exports have increased sharply, in line with the increase in production. For 2000-2001, exports are expected to more than triple from 1999-2000 to 210,000 t, with Canada becoming the largest exporter, accounting for 30-35% of world exports. Asia (mainly India, Bangladesh and Pakistan), Europe, the Middle East, South America, northern Africa, and the United States are the main markets.

OUTLOOK

World: 2001-2002

World production is forecast to be marginally lower at about 8.81 Mt. Total supply is also expected to decrease marginally to 9.21 Mt.

CANADA: CHICK PEA SUPPLY AND DISPOSITION

| | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001f | 2001 -2002f |
|----------------------------------|---------------------------|---------------|---------------|----------------|----------------|
| <i>August-July crop year</i> | | | | | |
| Harvested Area (thousand ha) | 11 | 38 | 139 | 283 | 339 |
| Yield (t/ha) | 1.36 | 1.34 | 1.42 | 1.37 | 1.33 |
| |thousand tonnes..... | | | | |
| Carry-in Stocks | 0 | 1 | 5 | 15 | 40 |
| Production | 15 | 51 | 197 | 387 | 450 |
| Imports | 3 | 2 | 5 | 2 | 2 |
| Total Supply | 18 | 54 | 207 | 404 | 492 |
| Exports | 3 | 14 | 65 | 210 | 250 |
| Total Domestic Use | 14 | 35 | 127 | 154 | 172 |
| Total Use | 17 | 49 | 192 | 364 | 422 |
| Carry-out stocks | 1 | 5 | 15 | 40 | 70 |
| Stocks-to-Use Ratio (%) | 6% | 10% | 8% | 11% | 17% |
| Average producer price (\$/t) | 400 | 493 | 390 | 375-395 | 380-410 |
| Harvested Area (thousand ac.) | 27 | 94 | 343 | 699 | 838 |
| Yield (lb/ac.) | 1,213 | 1,196 | 1,267 | 1,222 | 1,187 |
| Production (Mlb) | 33 | 112 | 434 | 853 | 992 |
| Average producer price (\$/lb) | 0.181 | 0.224 | 0.177 | 0.170 | 0.172 |
| | | | | -0.179 | -0.186 |

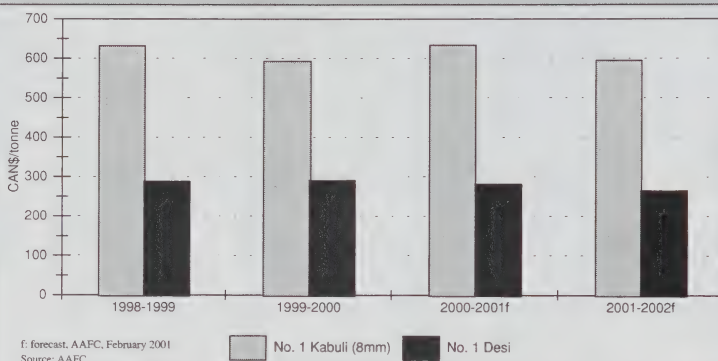
f: forecast, AAFC, February 2001
Source: Statistics Canada and AAFC

Canada: 2001-2002

Area seeded area in Canada is forecast to increase by about 20% due to relatively good price prospects for chick peas compared to most other crops and improved producer expertise. Assuming trend yields, and a normal abandonment rate, production is forecast to increase by 16% to 450,000 t, with Canada's share of world production increasing from 4.4% in 2000-2001, to about 5%. Production of the kabuli type is expected to increase, with the largest increase being for small kabulis. Meanwhile, production of the desi type is expected to decrease.

Assuming normal growing conditions, the average quality of the crop should improve. The production is expected to be about 95% in Saskatchewan, with the remainder in Alberta. About 60% of the production is expected to be kabuli type and 40% desi type. Total supply is expected to increase by 22% to 492,000 t because of increased production and carry-in stocks. Canada's share of total world supply is expected to increase from about 4.4% in 2000-2001 to about 5.3%. Exports and carry-out stocks are

CHICK PEAS : AVERAGE PRODUCER PRICE (SASKATCHEWAN)



expected to increase because of the higher supply. The stocks-to-use ratio is forecast to increase to 17%. The average price, over both types and all grades and sizes, is forecast to increase slightly, as pressure on prices from the higher Canadian supply is more than offset by higher expected crop quality and a shift to the production of the higher priced kabuli type.

For periodic updates on the situation and outlook for chick peas, visit the Market Analysis Division Website for "Canada: Special Crops Situation and Outlook".

For more information please contact:

Stan Skrypetz,
Special Crops Analyst
Phone: (204) 983-8972
Fax: (204) 983-5524
E-mail: skrypetz@em.agr.ca

CANADA: CHICK PEA PRODUCTION BY TYPE

| | 1998 -1999 | 1999 -2000 | 2000 -2001f | 2001 -2002f |
|---------------------------|---------------|---------------|----------------|----------------|
|thousand tonnes..... | | | | |
| Desi | 21 | 99 | 194 | 180 |
| Kabuli * | 30 | 98 | 193 | 270 |
| Total | 51 | 197 | 387 | 450 |

* large and small

f: forecast, AAFC, February 2001

Source: AAFC estimates based on Statistics Canada and industry reports

Canada: Longer-Term

Canadian seeded area for chick peas is expected to continue trending upwards throughout the decade, especially as new varieties, more suitable for Canadian growing conditions, are developed. Canada's share of total world production is also expected to increase. Saskatchewan is expected to continue dominating chick pea production in Canada because it has the largest land base suitable for producing chick peas and producers are becoming experienced growers of chick peas.

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

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Market Analysis Division,
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Agriculture and Agri-Food Canada,
500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524
Editor: Gordon MacMichael
E-mail: macmichaelg@em.agr.ca

Director: Maggie Liu
Chief: Fred Oleson

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CANADA: CHICK PEA EXPORTS

| August-July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001f | 2001 -2002f |
|----------------------------------|---------------|---------------|----------------|----------------|
|thousand tonnes..... | | | | |
| Asia | 7.0 | 34.0 | 150.0 | 170.0 |
| Middle East | 2.0 | 12.0 | 25.0 | 30.0 |
| Europe | 2.0 | 11.0 | 20.0 | 25.0 |
| Africa | 0.5 | 2.0 | 5.0 | 10.0 |
| South America | 1.0 | 2.0 | 4.0 | 7.0 |
| United States | 1.0 | 3.0 | 5.0 | 6.0 |
| Central America and Caribbean | 0.5 | 1.0 | 1.0 | 2.0 |
| Total | 14.0 | 65.0 | 210.0 | 250.0 |

f: forecast, AAFC, February 2001

Source: Statistics Canada

AGRICULTURE AND AGRI-FOOD CANADA (AAFC)
Strategic Policy Branch - Market Analysis Division - Winnipeg, Manitoba

CANADA: SPECIAL CROPS SITUATION AND OUTLOOK

FEBRUARY 7, 2001

For 2000-2001, total Canadian special crop production increased by 21% to a record 4.94 million tonnes (Mt), due to higher seeded area, which was partly offset by lower yields. Exports and domestic use are forecast to increase significantly. Therefore, carry-out stocks are expected to decrease. Average prices, compared to 1999-00, are forecast to increase for sunflower seed, decrease for dry peas, lentils, chick peas, mustard seed and buckwheat, and be similar for dry beans and canary seed.

For 2001-2002, total Canadian area seeded to special crops is forecast to increase by 3%. The areas seeded to chick peas, mustard seed, canary seed and sunflower seed are forecast to increase while the areas seeded to dry peas, lentils, dry beans and buckwheat are expected to be similar to 2000-01. Assuming trend yields, production is forecast to increase by 3% to 5.07 Mt. Total supply is expected to decrease marginally. Exports and domestic use are forecast to increase, resulting in lower carry-out stocks. Average prices, compared to 2000-01, are forecast to increase for dry peas, dry beans, chick peas, mustard seed, canary seed and sunflower seed, and be similar for lentils and buckwheat.

DRY PEAS

For 2000-2001, production and total supply increased. Exports and domestic use are forecast to increase significantly due to stronger demand. Carry-out stocks are forecast to decrease, with a stocks-to-use (s/u) ratio of 9%. The average price over all types, grades and markets is forecast to decrease by about 8%.

For 2001-2002, production is forecast to decrease slightly as a stable seeded area is partly offset by lower trend yields. Total supply is forecast to decrease because of lower carry-in stocks. Total world supply is expected to increase slightly to 12.6 Mt because of higher production in the EU, but this is expected to be offset by increased demand. Canadian exports are forecast to decrease because of lower supply. Domestic use is expected to increase. Carry-out stocks are forecast to decrease to a low level, with a s/u ratio of 4%. Lower Canadian carry-out stocks and higher protein meal prices are expected to support pea prices. The average price is forecast to increase by about 8%.

LENTILS

For 2000-2001, production and total supply increased significantly. Exports are forecast to increase. Carry-out stocks are forecast to rise, with a s/u ratio of 17%. The larger supply and carry-out stocks are expected to pressure prices. The average price over all types and grades is forecast to fall by 23%. For 2001-2002, production is forecast to increase slightly, as a stable seeded area is partly offset by higher trend yields. Total supply is forecast to increase by 8% due to higher carry-in stocks. Total world supply is expected to remain stable at about 3.6 Mt, but Canada's share of total world supply is expected to increase slightly. Therefore, Canadian exports are expected to increase. Carry-out stocks are forecast to decrease marginally, with the s/u ratio falling to 15%. The average price is forecast to be similar to 2000-01 due to the stable world supply.

DRY BEANS

For 2000-2001, production and total supply decreased. Exports are forecast to increase, and carry-out stocks are expected to decrease, with a low s/u ratio of 3%. Although production decreased in Canada and the US, higher carry-in stocks prevented North American total supply from dropping sufficiently to support prices. The average price, over all classes and grades, is forecast to be similar to 1999-00.

For 2001-2002, production is forecast to increase, as a stable seeded area is offset by higher trend yields. Total supply is expected to increase only slightly because of lower carry-in stocks. Exports are forecast to increase, and carry-out stocks are expected to remain low. Production in the US is expected to increase, but total supply is expected to be tighter because of lower carry-in stocks. The average price is forecast to increase by about 4%.

CHICK PEAS

For 2000-2001, production and total supply nearly doubled. Exports are forecast to more than triple because of higher supply and strong world demand. Carry-out stocks are forecast to increase, with a s/u ratio of 11%. The average price over both types and all sizes and grades is forecast to be marginally lower compared to 1999-00. For 2001-2002, production is forecast to increase by 16% due to a 20% increase in seeded area, which is partly offset by lower trend yields. Assuming normal growing conditions, the average quality of the crop should improve. Total Canadian supply is forecast to increase by 22% due to higher carry-in stocks. Total world supply is expected to decrease marginally to about 9.2 Mt, but Canada's share of total world supply increases slightly. Therefore, Canadian exports and carry-out stocks are forecast to increase, with a s/u ratio of 17%. The average price is forecast to increase slightly because of better expected crop quality and a shift in production to the higher priced kabuli type.

MUSTARD SEED

For 2000-2001, production and total supply decreased significantly. Exports are forecast to increase. Carry-out stocks are forecast to decrease, with a s/u ratio of 34%. The average price over all types and grades is forecast to fall by about 4%. For 2001-2002, production is forecast to increase in line with a 5% increase in seeded area. Total supply is forecast to decrease due to lower carry-in stocks. Exports are expected to remain stable. Carry-out stocks are forecast to decrease, with the s/u ratio dropping to 21%. The average price is forecast to increase by about 5%.

CANARY SEED

For 2000-2001, although production increased slightly, total supply decreased

due to lower carry-in stocks. Exports are forecast to increase. Carry-out stocks are expected to decrease, with a s/u ratio of 27%. The average price is forecast to be similar to 1999-00.

For 2001-2002, production is forecast to increase, because of a 5% increase in seeded area and higher trend yields. Total supply is forecast to decrease due to lower carry-in stocks. Exports are expected to increase. Carry-out stocks are forecast to decrease, with a s/u ratio of 16%. The average price is forecast to increase by about 5% because of the tighter supply.

SUNFLOWER SEED

For 2000-2001, production decreased, while total supply increased because of higher carry-in stocks. Exports and domestic use are expected to increase. Carry-out stocks are forecast to decrease, with a s/u ratio of 25%. The average price over both types is forecast to increase by about 8%, because of stronger prices for the confectionary type and a shift to the production of the higher priced confectionary type. For 2001-2002, production is forecast to decrease slightly, as a 10% increase in seeded area is offset by lower trend yields. Total supply is forecast to decrease because of lower production and carry-in stocks. Exports are expected to remain stable, while domestic use increases. Carry-out stocks are forecast to decrease, with the s/u ratio dropping to 13%. Total world supply is expected to decrease slightly to about 25.3 Mt. The average price is forecast to increase slightly.

BUCKWHEAT

For 2000-2001, production increased. Exports and domestic use are forecast to remain stable. The average price over all grades and markets is forecast to decrease slightly due to higher world supply. For 2001-2002, production is forecast to increase by about 20%, as a stable seeded area is offset by higher trend yields. Exports and domestic use are forecast to increase. The average price is forecast to be similar to 2000-01, in line with stable world total supply of about 2.8 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mailskrypetz@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mailolesonf@em.agr.ca

CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS

FEBRUARY 7, 2001

| Grain and Crop Year (a) | Harvested Area kha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|--------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,974 | 1,116 | 523 | 335 | 177 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 132 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,400 | 839 | 400 | 135 |
| 2000-2001f | 1,220 | 2.35 | 2,864 | 10 | 3,274 | 2,000 | 1,009 | 265 | 115-135 |
| 2001-2002f | 1,220 | 2.33 | 2,840 | 10 | 3,115 | 1,900 | 1,090 | 125 | 120-150 |
| Lentils | | | | | | | | | |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 523 | 349 | 109 | 65 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 520 | 194 | 80 | 380 |
| 2000-2001f | 688 | 1.33 | 914 | 5 | 999 | 650 | 204 | 145 | 305-325 |
| 2001-2002f | 688 | 1.35 | 930 | 5 | 1,080 | 730 | 210 | 140 | 300-330 |
| Dry Beans | | | | | | | | | |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 261 | 59 | 40 | 500 |
| 2000-2001f | 165 | 1.62 | 268 | 30 | 338 | 265 | 63 | 10 | 490-510 |
| 2001-2002f | 166 | 1.90 | 315 | 20 | 345 | 270 | 65 | 10 | 505-535 |
| Chick Peas | | | | | | | | | |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 65 | 127 | 15 | 390 |
| 2000-2001f | 283 | 1.37 | 387 | 2 | 404 | 210 | 154 | 40 | 375-395 |
| 2001-2002f | 339 | 1.33 | 450 | 2 | 492 | 250 | 172 | 70 | 380-410 |
| Mustard Seed | | | | | | | | | |
| 1997-1998 | 292 | 0.83 | 243 | 2 | 283 | 166 | 69 | 48 | 398 |
| 1998-1999 | 279 | 0.86 | 239 | 1 | 288 | 162 | 76 | 50 | 348 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 165 | 77 | 115 | 285 |
| 2000-2001f | 208 | 0.97 | 202 | 1 | 318 | 170 | 68 | 80 | 260-280 |
| 2001-2002f | 218 | 0.96 | 210 | 1 | 291 | 170 | 71 | 50 | 265-295 |
| Canary Seed | | | | | | | | | |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 245 | 134 | 47 | 64 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001f | 164 | 1.04 | 171 | 0 | 261 | 165 | 41 | 55 | 230-250 |
| 2001-2002f | 172 | 1.13 | 195 | 0 | 250 | 170 | 45 | 35 | 235-265 |
| Sunflower Seed | | | | | | | | | |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 88 | 45 | 40 | 3 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001f | 69 | 1.72 | 119 | 15 | 175 | 60 | 80 | 35 | 310-330 |
| 2001-2002f | 76 | 1.51 | 115 | 15 | 165 | 60 | 85 | 20 | 315-345 |
| Buckwheat | | | | | | | | | |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001f | 15 | 0.93 | 14 | 1 | 16 | 8 | 7 | 1 | 285-305 |
| 2001-2002f | 15 | 1.13 | 17 | 1 | 19 | 10 | 8 | 1 | 280-310 |
| Total Special Crops (c) | | | | | | | | | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 54 | 3,343 | 1,949 | 862 | 532 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,299 | 2,634 | 1,034 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,625 | 1,387 | 782 | |
| 2000-2001f | 2,812 | 1.76 | 4,939 | 64 | 5,785 | 3,528 | 1,626 | 631 | |
| 2001-2002f | 2,894 | 1.75 | 5,072 | 54 | 5,757 | 3,560 | 1,746 | 451 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f - Agriculture and Agri-Food Canada forecast, February 7, 2001

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | As of Monday January 29, 2001 | | | | FEATHER MEAL |
|--------------------|------------------|-----------------|------------|--------|------------|------------|-------------|------------------|-------------|------------|-----------|-------------------------------|------------|-------------|-----------|--------------|
| | | | | | | | | | | | | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA |
| Vancouver B.C. | This week | FOB | (1) 145.66 | N/A | 141.66 | (2) 179.00 | | 331.50 | (7) 225.50 | 115.00 | 375.00 | (4) 800.00 | 375.00 | | | 485.00 |
| | Week ago | | (1) 145.66 | N/A | 142.16 | (2) 182.00 | | 341.50 | (7) 219.00 | 115.00 | 380.00 | (4) 800.00 | 375.00 | | | 470.00 |
| Calgary Alta | This week | FOB | (1) 122.50 | 105.00 | 118.50 | (2) 163.00 | | 311.50 | 179.00 | | 335.00 | (4) 850.00 | 455.00 | | | 485.00 |
| | Week ago | | (1) 122.50 | 105.00 | 119.00 | (2) 164.00 | | 333.00 | 179.00 | | 340.00 | (4) 850.00 | 455.00 | | | 475.00 |
| Saskatoon Sask. | This week | FOB | (1) 124.00 | 112.50 | 113.50 | (2) 142.00 | | 303.00 | 206.00 | | 335.00 | (4) N/A | 455.00 | | 154.00 | 485.00 |
| | Week ago | | (1) 124.00 | 112.50 | 113.50 | (2) 143.00 | | 322.00 | 210.00 | | 340.00 | (4) N/A | 455.00 | | 149.00 | 475.00 |
| Melfort Sask. | This week | FOB | (1) 124.00 | 93.77 | 114.20 | | | | | | | | | | | |
| | Week ago | | (1) 125.60 | 102.43 | 114.90 | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | (1) 112.95 | 104.74 | 106.00 | (2) 138.00 | | 285.50 | 196.00 | | 320.00 | (4) 695.00 | 420.00 | | | 420.00 |
| | Week ago | | (1) 112.95 | 104.74 | 106.00 | (2) 138.00 | | 304.50 | 200.00 | | 325.00 | (4) 695.00 | 420.00 | | | 420.00 |
| Thunder Bay Ont. | This week | Track | (1) 135.00 | 110.61 | 123.80 | | | | | | | | | | | |
| | Week ago | | (1) 136.40 | 120.29 | 122.50 | | | | | | | | | | | |
| Lake Ports USA | This week | On Board Vessel | | | | (3) 121.27 | | | | | | | | | | |
| | Week ago | In-store | (1) 161.00 | 172.00 | 159.10 | (3) 125.20 | | | | | | | | | | |
| Bay Ports Ont. | This week | Track | (1) 162.60 | 172.00 | 161.45 | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | (2) 133.26 | | | | | | | | | | |
| | Week ago | | | | | (2) 133.85 | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | FOB | 306.44 | 199.52 | | | | | | | |
| | Week ago | | | | | | | 317.90 | 208.78 | | | | | | | |
| Eastern Ontario | This week | FOB | | | (2) 137.89 | | | | | | | | | | | |
| | Week ago | | | | (2) 140.94 | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | |
| Trois-Riv. Que. | This week | In-store | (1) 164.00 | | 157.20 | (2) 151.37 | | | | | | | | | | |
| | Week ago | | (1) 156.60 | | 152.03 | (2) 136.80 | | | | | | | | | | |
| St-Jean Que. | This week | FOB | (1) 166.38 | 109.00 | 152.03 | (2) 136.80 | | | | | | | | | | |
| St-Hyacinthe, Que. | This week | | (1) 161.33 | 107.50 | 153.73 | (2) 141.72 | | | | | | | | | | |
| Quebec Que. | This week | In-store | (1) 163.50 | | 155.70 | (2) 149.93 | FOB | 318.56 | | | | | | | | |
| | Week ago | | (1) 165.10 | | 157.40 | (2) 152.88 | | 332.05 | | | | | | | | |
| Truro N.S. | This week | Track | (1) 187.79 | 189.29 | 186.87 | (2) 180.43 | FOB | 373.20 | 244.66 | | | | | | 405.00 | 466.50 |
| | Week ago | | (1) 192.29 | 193.35 | 190.87 | (2) 183.77 | | 376.66 | 252.21 | | | | | | 405.00 | 479.00 |
| Truro N.S. | This week | Water & Truck | (1) 182.30 | N/A | N/A | N/A | | | | | | | | | | |
| | Week ago | | (1) 181.50 | N/A | N/A | N/A | | | | | | | | | | |
| Halifax N.S. | This week | In-store | (1) 173.30 | N/A | N/A | N/A | FOB | | | | | | | | | |
| | Week ago | | (1) 172.50 | N/A | N/A | N/A | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section;

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.50/9 as of January 29, 2001

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat , No.1 Feed Oats , No.1 Canada Western or Eastern Barley , No.2 Canada Yellow Corn , No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein , Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

| B. CASH PRICES AND REPLACEMENT VALUES | | | | As of Monday January 29, 2001 | | | |
|---------------------------------------|--------------------------|--------|-----------|-------------------------------|----|-----------|----------|
| PRAIRIE GRAINS | | | | | | | |
| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay | Track | WHEAT | 135.00 | 136.40 | | 140.40 | 127.00 |
| | | OATS | 110.61 | 120.29 | | N/A | N/A |
| | | BARLEY | 123.80 | 122.50 | | 128.50 | 111.50 |
| To: Bayports, Ont. | In-store | WHEAT | 160.11 | 161.51 | 1. | 163.50 | 152.11 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 153.25 | 151.95 | 1. | 155.65 | 140.95 |
| Montreal, Que. | In-store | WHEAT | 164.96 | 166.36 | 1. | 168.25 | 156.96 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 158.76 | 157.46 | 1. | 160.77 | 146.46 |
| Moncton, N.B | Truck via Halifax | WHEAT | 187.46 | 188.86 | | 190.72 | 179.46 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 184.82 | 183.52 | | 187.13 | 172.52 |
| Truro, N.S. | Truck via Halifax | WHEAT | 184.90 | 186.30 | | 188.22 | 176.90 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 179.94 | 178.64 | | 182.25 | 167.64 |
| Halifax, N.S. | In-store | WHEAT | 172.23 | 173.63 | 1. | 175.55 | 164.23 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 166.27 | 164.97 | 1. | 168.57 | 153.97 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 229.93 | 231.33 | | 235.33 | 221.93 |
| | | OATS | 216.81 | 226.49 | | N/A | N/A |
| | | BARLEY | 230.94 | 229.64 | | 235.64 | 218.64 |
| From: Melfort, Sask. | FOB | WHEAT | 124.00 | 125.60 | | 133.40 | 110.00 |
| | | OATS | 93.77 | 102.43 | | 99.78 | 111.00 |
| | | BARLEY | 114.20 | 114.90 | | 124.50 | 96.00 |
| To: Bayports, Ont. | Track | WHEAT | 180.12 | 181.72 | | 189.52 | 166.12 |
| | | OATS | 152.64 | 161.30 | | 158.65 | 169.87 |
| | | BARLEY | 167.59 | 168.29 | | 177.89 | 149.39 |
| Montreal, Que. | Track | WHEAT | 180.87 | 182.47 | | 190.27 | 166.87 |
| | | OATS | 153.54 | 162.20 | | 159.55 | 170.77 |
| | | BARLEY | 168.41 | 169.11 | | 178.71 | 150.21 |
| Moncton, N.B. | Track | WHEAT | 202.05 | 203.65 | | 211.45 | 188.05 |
| | | OATS | 176.88 | 185.54 | | 182.89 | 194.11 |
| | | BARLEY | 180.52 | 181.22 | | 190.82 | 162.32 |
| Truro, N.S. | Track | WHEAT | 202.22 | 203.82 | | 211.62 | 188.22 |
| | | OATS | 177.85 | 186.51 | | 183.86 | 195.08 |
| | | BARLEY | 194.14 | 194.84 | | 204.44 | 175.94 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 245.56 | 247.16 | | 254.96 | 231.56 |
| | | OATS | 225.23 | 233.89 | | 231.24 | 242.46 |
| | | BARLEY | 242.43 | 243.13 | | 252.73 | 224.23 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 121.27 | 125.20 | | 132.74 | 124.58 |
| To: Montreal, Que. (US Corn) | In-store | | 142.39 | 146.32 | 1. | N/A | 145.70 |
| From: Saginaw (MI) | Track | | 113.56 | 117.45 | | 122.11 | 116.03 |
| To: Montreal, Que. (US Corn) | Track | | 141.10 | 144.99 | | 149.65 | 143.57 |
| From: Chatham | Track | | 133.26 | 133.85 | | N/A | 117.51 |
| To: Montreal, Que. | Track | | 156.15 | 156.74 | | 165.30 | 140.40 |

| | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 306.44 | 317.90 | | 336.86 | 270.50 |
| To: Montreal, Que. | Track | | 328.91 | 340.37 | | 359.33 | 292.97 |
| Moncton, N.B. | Track | | 346.22 | 357.68 | | 376.64 | 310.28 |
| Truro, N.S. | Track | | 349.19 | 360.65 | | 379.61 | 313.25 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 398.45 | 409.91 | | 428.87 | 362.51 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

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CANOLA: SITUATION AND OUTLOOK

Canola production in Canada decreased significantly in 2000-2001 but supplies decreased only slightly due to record high carry-in stocks. Japan and China continue to be major importers of Canadian canola and shipments to Mexico have increased sharply. Despite record high exports, carry-out stocks are expected to decline, but remain historically high. Global oilseed prices have been pressured by record high soybean production and soyoil supplies related to generous support programs in the United States (U.S.) and by burdensome world palm oil production. For 2001-2002, area seeded to canola and production in Canada are forecast to decrease significantly but burdensome supplies of competing edible oils and oilseeds are expected to reduce prices to the lowest level since 1986-1987. Carry-out stocks in Canada are forecast to decrease substantially.

WORLD

For 2000-2001, the production and supply of canola/rapeseed decreased due to lower production in the European Union (EU), India, Australia, and Canada. Crushing of canola/rapeseed is forecast to decline marginally as lower crush in the EU offsets higher crush in North America. Processing in Asia is expected to remain similar to 1999-2000. World carry-out stocks are forecast to decrease. World trade is expected to decline due to the reduced availability of canola/rapeseed in the EU and Australia, increased supplies and lower prices of competing soybeans and palm oil, and higher prices for protein meal which favours the crushing of soybeans over canola.

For **China**, production of canola/rapeseed increased due to higher seeded area. Average yields decreased due to near-drought-like conditions in some areas. Imports are forecast to decrease to 1.8 million tonnes (Mt) from the record high of 3.8 Mt in 1999-2000 while imports of soybeans are expected to increase because of the higher meal content. This is related to historically low world edible oil prices and stronger protein meal prices. China's share of world trade in canola/rapeseed is expected to decrease to 18% from 40% for 1999-2000. Similarly, imports of canola/rapeseed oil are projected to decline to about 20,000 tonnes (t) for the 2000 calendar year, from 69,000 t in 1999 and the record high of 350,000 t in 1997.

Processing of canola/rapeseed in China is projected to decline by 11% leading to a corresponding decline in the production of oil and meal. Exports of canola/rapeseed meal are expected to drop by 25% to 0.6 Mt, reducing the competition for Canadian canola meal into South Korea and other Asian markets.

India's rapeseed production decreased significantly due to hot, dry weather in the major producing states. Supplies also decreased, but to a lesser extent due to high carry-in stocks.

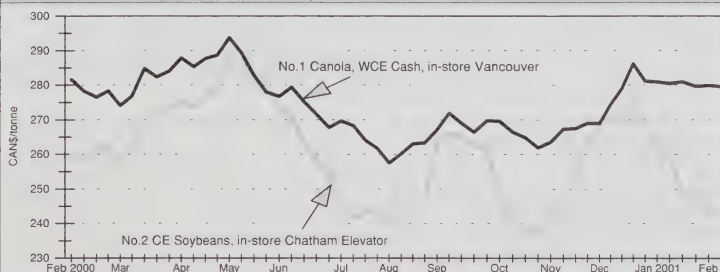
Due to low crush margins in India, imports of edible oils are approaching 5.0 Mt annually and the government is considering restricting imports, although no specific quotas or tariffs have been specified.

Australian production decreased by about one-third from 1999-2000 due to lower area seeded, and lower yields related to a severe drought across Western Australia.

Consequently, exports are forecast to decrease by almost 40%, to 1.2 Mt. Since about 0.3-0.4 Mt of canola are generally committed for shipments to the EU, Australian exports to Asia are forecast to decline by over 50% from 1999-2000 levels, to 0.7-0.8 Mt.

In the **EU**, the production of rapeseed decreased by 25% from 1999-2000 to 9.2 Mt. Lower prices led to a decline in seeded area in the United Kingdom, France, and Germany. Also, average yields in the EU decreased due to excess moisture. Area seeded was not significantly impacted by the changes introduced by Agenda 2000 because the direct area payments for oilseeds will continue to exceed those on grains until 2002-2003 at which time they will become equal. The area payments will be reduced to 63 € per tonne (t) by 2002-2003 from 93 €/t in 1999-2000. Supplies of canola/rapeseed declined due to lower production and a decline in imports. Due to lower supplies, weak crush margins and

CANADA: OILSEED PRICES



Source: Winnipeg Commodity Exchange (WCE), Ontario Soybeans Growers



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Canada

WORLD: SUPPLY AND DISPOSITION FOR CANOLA SEED, OIL AND MEAL

| | 1999 -2000 | 2000 -2001 ^{1/} | 2001 -2002 ^f |
|-----------------------------|---------------|-----------------------------|----------------------------|
|million tonnes..... | | | |
| CANOLA/RAPESEED | | | |
| Carry-In Stocks | 2.20 | 3.94 | 2.25 |
| Production: | | | |
| China | 10.13 | 11.00 | 11.00 |
| European Union | 11.32 | 9.22 | 9.40 |
| Canada | 8.80 | 7.12 | 6.17 |
| India | 5.11 | 4.40 | 4.25 |
| Australia | 2.43 | 1.60 | 1.60 |
| United States | 0.62 | 0.92 | 1.00 |
| Other | 3.88 | 3.34 | 3.48 |
| Total Production | 42.29 | 37.60 | 36.90 |
| Total Supply | 44.49 | 41.54 | 39.15 |
| Total Use | 40.55 | 39.29 | 37.40 |
| Carry-out Stocks | 3.94 | 2.25 | 1.75 |
| Trade | 11.04 | 9.96 | 9.00 |
| CANOLA/RAPESEED OIL | | | |
| Carry-In Stocks | 0.47 | 0.67 | 0.62 |
| Production | 13.59 | 13.13 | 11.94 |
| Total Supply | 14.06 | 13.80 | 12.56 |
| Total Use | 13.39 | 13.18 | 11.96 |
| Carry-out Stocks | 0.67 | 0.62 | 0.60 |
| Trade | 2.97 | 2.75 | 2.50 |
| CANOLA/RAPESEED MEAL | | | |
| Carry-In Stocks | 0.31 | 0.43 | 0.32 |
| Production | 22.34 | 21.65 | 19.60 |
| Total Supply | 22.65 | 22.08 | 19.92 |
| Total Use | 22.22 | 21.76 | 19.62 |
| Carry-out Stocks | 0.43 | 0.32 | 0.30 |
| Trade | 4.35 | 4.18 | 4.00 |

^{1/} forecast, USDA, February 2001

^f forecast, AAFC, March 2001

Source: USDA

burdensome supplies of vegetable oils, canola/rapeseed crush is forecast to decline by 8% from 1999-2000 to 8.8 Mt for 2000-2001. Canola/rapeseed oil and meal output are expected to decrease accordingly to 3.5 Mt and 5.3 Mt, respectively. Carry-out stocks are expected to drop sharply to 0.16 Mt, from 0.37 Mt in 1999-2000.

The spread of Bovine Spongiform Encephalopathy (BSE), or mad cow disease, in the EU is expected to increase the demand for protein meal by 2.1-2.2 Mt a year to replace the use of animal meal in livestock rations, assuming that per capita consumption of beef remains stable. The demand for vegetable protein exceeds the

world supply of non-GMO (genetically modified organism) protein meal which will provide strong support for protein meal prices.

Despite lower market prices, area seeded to canola in the U.S. primarily in the states of North Dakota, South Dakota and Minnesota, increased significantly and resulted in production increased to 0.87 Mt, from 0.62 Mt in 1999-2000. This is largely attributable to the high loan rates for oilseeds relative to market prices and relative to the loan rates for competing crops under the 1996 Federal Agricultural Improvement and Reform (FAIR) Act. The increase in oilseed supplies has pressured world prices while the marketing loan rate, through high LDP and marketing loans, has sheltered U.S. producers from the low prices. New legislation is scheduled to be introduced in 2002. However, it is not clear how the marketing loan provisions will change.

The loan rate is US\$9.30 a hundredweight (/cwt), or CAN\$308/t, for small seeded oilseeds such as canola and US\$5.26 a

bushel (CAN\$290/t) for soybeans. U.S. producers collect the majority of their LDP between September and November, when

prices are typically at seasonal lows. For 1999-2000, U.S. producers collected US\$2.63/cwt (CAN\$87/t) or US\$34 million on 96% of their canola production. For 2000-2001 to-date, U.S. producers have collected US\$3.67/cwt (CAN\$125/t) or US\$68 million on 92% of production.

Processing of canola in the U.S. is projected to decline marginally to 0.72 Mt for 2000-2001 due to competition from burdensome soyoil and palm oil supplies. This is expected to be partly offset by increased exports of canola/rapeseed into Canada. Carry-out stocks are forecast to increase sharply although remaining too low to affect prices.

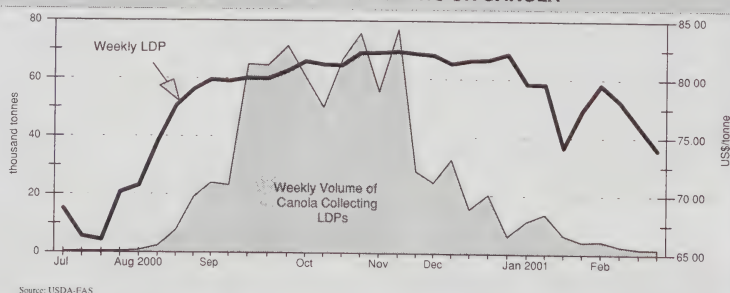
CANADA

Canola supplies decreased slightly as the sharp decline in production was largely offset by the record high carry-in. Timely seeding, adequate moisture, with the exception of southern Alberta, and a typical fall resulted in normal yields with average dockage. Despite a strong start, the pace of producer marketings declined post-harvest due to the low prices and the high premiums for deferred delivery, which rewarded producers for storing their crop.

Canadian crushing of canola is forecast to remain similar to last year at 3 Mt, despite ample supplies of canola, as an oversupply of soy and palm oil lowers prices for all vegetable oils and continues to pressure cash crush margins. The pace of crush during the second half of 2000-2001 is expected to be lower than the first half because of weak vegetable oil prices caused by abundant supplies.

The production of **canola oil** is forecast to increase by about 60,000 t to 1.30 Mt. Domestic consumption of canola oil is expected to increase to 0.4 Mt, versus the 0.35 Mt estimated for 1999-2000. Exports represent the balance of domestic production with little change in carry-out stocks.

WEEKLY U.S. LOAN DEFICIENCY PAYMENTS ON CANOLA



The production of **canola meal** is forecast to increase slightly from 1999-2000 to 1.87 Mt. However, the domestic consumption of canola meal is projected to decline slightly, to 0.7 Mt, due to increased competition from soymeal.

Exports

Canada is expected to export a record 4.4 Mt of **canola** in 2000-2001. In the Asian market, competition from the EU and Australia has decreased. Japan is expected to remain Canada's major market with exports forecast to remain similar to 1999-2000 at 1.8 Mt. Chinese imports of Canadian canola are expected to increase for 2000-2001, despite a significant shift to crushing soybeans away from crushing canola/rapeseed. While total imports of canola/rapeseed are projected to decline, the impact will be felt mainly by the EU and Australia. Exports to

Mexico are projected to rise sharply for 2000-2001, due to higher per capita consumption of canola/rapeseed oil and partly because of the increase in domestic processing. The latter has resulted in a major decrease in imports of canola/rapeseed oil since 1998-1999.

Canola oil exports are forecast to decrease marginally with lower shipments to the U.S., Japan, and China partly offset by an increase to South Korea and Hong Kong. About 60-70% of Canada's exports of canola oil are to the U.S.

Canola meal exports are forecast to increase slightly, with most of the canola destined for the U.S. where canola meal has gained market share at the expense of cottonseed meal in dairy rations. The Pacific region, where many large dairy operations are located, is the largest importing region for Canadian canola in the U.S.

crush margins, canola/rapeseed disappearance is forecast to fall by 5%, to the lowest level since 1998-1999. World trade is forecast to drop by 10% due to the decline in supplies and to the reduction in crush. Carry-out stocks are projected to decrease.

Canola/rapeseed production in **China** is projected to be unchanged from 2000-2001 as higher seeded area is offset by lower yields. Supplies of canola/rapeseed are projected to decline due to lower imports. Canola/rapeseed crush is projected to decrease from 2000-2001 in favour of soybeans due to their higher meal content. The restructuring of China's oilseed industry is reported to be underway. Many of the largest processing companies have expanded rapidly in an attempt to become internationally competitive. Many of the older and smaller crushers are reportedly in danger of closing during the next major market downturn. The outlook is highly dependent on China's entry to the World Trade Organization (WTO) which is expected to lead to lower tariffs, and higher tariff rate quotas, on edible oils. This is expected to favour imports of canola oil relative to canola seed. However, due to disagreement over issues including access to developing country status for China's agriculture programs, entry into the WTO has been delayed. This delay will support the import of oilseeds at the expense of the oilseed products.

Rapeseed production in **India** is projected to be lower due to the after effect of drought, although edible oil imports will remain unaffected. India is rapidly becoming one of the world's largest importers of edible oils, about three-quarters of which is palm oil. However, imports of canola/rapeseed oil are forecast to remain steady at around 0.2 Mt.

Australian canola production is forecast to remain stable at 1.6 Mt as the expected decline in seeded area is offset by a return to normal yields, assuming near-average moisture conditions across the main growing regions. Therefore, supplies and exports are projected to remain near 2000-2001 levels. Recent reports suggest that Aventis and Monsanto plan to introduce Liberty Link and Round Up Ready canola to Australia in 2002 with exports of GMO canola occurring by 2003. The introduction of the genetically modified, hybrid varieties is expected to increase yields by 25%. However, because of the EU's ban on imports of GMO material, it could result in the loss of some of the market for Australian canola. The introduction of GMO varieties is expected to occur slowly with only 1% of the crop planted

CANADA : CANOLA SUPPLY AND DISPOSITION

| August-July crop year | 1999 -2000 | 2000 -2001 | 2001 -2002f |
|--------------------------|---------------|---------------|----------------|
|million tonnes..... | | | |
| CANOLA/RAPESEED | | | |
| Carry-In Stocks | 0.63 | 2.07 | 1.40 |
| Imports | 0.12 | 0.15 | 0.25 |
| Production | 8.80 | 7.12 | 6.17 |
| Total Supply | 9.55 | 9.34 | 7.82 |
| Exports | 3.89 | 4.40 | 3.80 |
| Domestic Crush | 2.98 | 3.00 | 3.00 |
| Other Use | 0.61 | 0.54 | 0.47 |
| Total Use | 7.48 | 7.94 | 7.27 |
| Carry-out Stocks | 2.07 | 1.40 | 0.55 |
| CANOLA OIL | | | |
| Carry-In Stocks | 0.02 | 0.02 | 0.06 |
| Production | 1.24 | 1.30 | 1.26 |
| Imports | 0.01 | 0.01 | 0.01 |
| Total Supply | 1.27 | 1.33 | 1.33 |
| Exports * | 0.90 | 0.87 | 0.86 |
| Domestic Use | 0.35 | 0.40 | 0.40 |
| Total Use | 1.25 | 1.27 | 1.26 |
| Carry-out Stocks | 0.02 | 0.06 | 0.07 |
| CANOLA MEAL | | | |
| Carry-In Stocks | 0.03 | 0.03 | 0.03 |
| Production | 1.86 | 1.87 | 1.80 |
| Total Supply | 1.89 | 1.90 | 1.83 |
| Exports | 1.12 | 1.17 | 1.08 |
| Domestic Use | 0.74 | 0.70 | 0.70 |
| Total Use | 1.86 | 1.87 | 1.78 |
| Carry-out Stocks | 0.03 | 0.03 | 0.05 |

f: forecast, AAFC, March 2001

Source: Statistics Canada, AAFC, *COPA

Prices

In recent years, canola prices in Canada have been pressured downward by: (a) low soyoil prices related to increased soybean production in the U.S. and South America; (b) low palm oil prices related to increased palm oil supplies in Malaysia and Indonesia; and (c) increased supplies of canola in Canada. The average cash price of canola, in-store, Vancouver is forecast to decline to \$270/t for 2000-2001, the lowest level since 1986-1987. The U.S. average price of soybean oil is forecast to decline to US\$0.1275-0.1425 per pound (/lb), the lowest level since 1990, versus the high of US\$0.2584/lb achieved in 1997-1998. By comparison, the average price of U.S. soymeal is forecast at US\$170-185 a short ton (/st), versus US\$167.70/st in 1999-2000 and the recent historical low of US\$138.50/st set in 1998-1999.

OUTLOOK

World canola/rapeseed production is forecast to decline for 2001-2002, due to a drop in seeded area, although this is expected to be partly offset by a return to normal yields in some regions. Supplies of canola/rapeseed are forecast to drop as the decrease in production is compounded by a sharp draw-down in carry-in stocks. As a consequence of reduced supplies, low vegetable oil prices and lower

to GMO canola in 2002, rising to 10% by 2005.

EU rapeseed production is forecast to increase because of higher yields despite lower seeded area, as producers switch out of food grade oilseeds in response to low prices and the reduction in area payment subsidies. Domestic crush is forecast to increase due to the impact of the ban on the feeding of animal meal in livestock rations, as a result of concerns regarding BSE and expansion of biodiesel production. Exports of canola are projected to decline while carry-out stocks remain tight.

In the **U.S.**, the area seeded to canola is forecast to increase as producers respond

to the marketing loan rate and switch some area out of wheat and coarse grains. Production is expected to increase to about 1.0 Mt, assuming normal yields. Exports to Canada are forecast to increase by 0.1 Mt from 2000-2001 to 0.25 Mt. U.S. crush of canola/rapeseed is forecast to rise and result in minimal carry-out stocks for 2001-2002.

In **Canada**, area seeded to canola is forecast to decrease by 10% due to more attractive returns for wheat and special crops, the sharp increase in the cost of fertilizer and high carry-in stocks. Average yields are also expected to decrease. Production is forecast to decrease by 0.95 Mt from 2000-2001 to 6.2 Mt. Supplies of canola are also expected to decrease significantly due to high carry-in stocks. Exports are forecast to decline due to lower supplies and because low vegetable oil prices are expected to continue to pressure crush margins in importing countries. Domestic crush is expected to remain similar to 2000-2001, due to pressured crush margins and the burdensome oversupply of soyoil and palmoil. Carry-out stocks of canola are forecast to fall to 0.55 Mt, versus 0.52 Mt averaged over 1996-1997 to 1998-1999 when production averaged 6.4 Mt. The production of canola oil and meal is projected to remain stable, with the U.S. remaining the largest export market for both commodities. The forecasts do not take into account China's accession to the WTO, which would be expected to reduce exports of Canadian canola seed and increase exports of canola oil and support Canadian crush.

Prices

The price of canola, cash, in-store Vancouver, is forecast at \$240-280/t for 2001-2002 the lowest level since 1986-1987. The price of canola oil, RBD (refined bleached deodorized), FOB (free on board) plant, are forecast to decline due to an expected appreciation of the Canadian dollar. The average U.S. soyoil price is forecast by the United States Department of Agriculture to be unchanged at US\$0.135/lb FOB Decatur. Canola meal prices, FOB plant, are projected to decline due to the lower U.S. soy meal prices, 44% protein FOB Decatur, which are expected to decline to about US\$170/st for 2001-2002.

CANADA-U.S. TRADE

Exports of U.S. canola to Canada have risen significantly during recent years due to the increase in canola production in the northern plain states. Exports typically peak immediately after harvest as U.S. producers deliver to the nearest crushing plant, i.e. Altona, Manitoba.

Canada exports a total of \$600 million worth of canola, canola oil and canola meal to the U.S., versus the \$50 million of mostly seed canola imported from the U.S. While Canadian imports of U.S. canola are expected to increase for 2000-2001, the net balance of trade continues to support Canadian producers to a significant degree, in turn, increasing delivery opportunities for Canadian producers.

For more information,
please contact:

Chris Beckman
Oilseeds Analyst
Phone: (204) 984-4929
E-mail: beckmac@em.agr.ca

CANADA: EXPORTS BY COUNTRY OF DESTINATION

| August-July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 |
|---------------------------|---------------|---------------|---------------|
|thousand tonnes..... | | | |
| CANOLA SEED | | | |
| Japan | 1,815 | 1,801 | 1,800 |
| China | 1,269 | 1,211 | 1,500 |
| Mexico | 529 | 570 | 900 |
| United States | 277 | 280 | 200 |
| Other | 10 | 23 | 0 |
| Total | 3,900 | 3,885 | 4,400 |
| CANOLA OIL * | | | |
| United States | 410 | 525 | 495 |
| South Korea | 47 | 87 | 100 |
| Hong Kong | 126 | 82 | 90 |
| China | 63 | 88 | 80 |
| Japan | 9 | 35 | 20 |
| Iran | 0 | 20 | 20 |
| Taiwan | 26 | 17 | 20 |
| Malaysia | 0 | 7 | 10 |
| India | 20 | 0 | 5 |
| Other | 77 | 34 | 30 |
| Total | 778 | 895 | 870 |
| CANOLA MEAL | | | |
| United States | 1,135 | 1,066 | 1,050 |
| Western Europe | 26 | 39 | 40 |
| Taiwan | 11 | 19 | 20 |
| South Korea | 56 | 0 | 10 |
| Japan | 24 | 1 | 5 |
| Other | 7 | 3 | 49 |
| Total | 1,259 | 1,128 | 1,174 |

Notes:

- 1) For 1999-2000, canola oil (including crude, refined and hydrogenated oil) is based on COPA estimates.
- 2) Exports and imports of canola oil include crude and refined oil, but exclude hydrogenated oil and processed products (margarine, salad oil and shortening).

f: forecast, AAFC, March 2001

Source: Statistics Canada, *COPA

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Market Analysis Division,
Strategic Policy Branch,
Marketing Policy Directorate,
Agriculture and Agri-Food Canada.
500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524
Editor: Gordon MacMichael
E-mail: macmichaelg@em.agr.ca

Director: Maggie Liu
Chief: Fred Oleson

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CANADIAN GRAINS AND OILSEEDS OUTLOOK

MARCH 5, 2001

For 2001-02, world wheat prices (excluding durum) are expected to increase from the 2000-01 level due to lower US production and tightening world supplies. Coarse grain prices are expected to increase slightly due to lower expected corn production and ending stocks in the US, and reduced EU barley supplies. Oilseed prices, except for flaxseed, are expected to decrease from current low levels due to burdensome world oilseed supplies, especially US soybeans, and low edible oil prices. For most major crops, domestic support programs in the US and EU are expected to continue to encourage high production, which will pressure prices. The major factors to watch are: growing conditions in the major importing and exporting regions, particularly the US; the extent to which high nitrogen fertilizer prices impact on area seeded and usage in the major producing countries which may reduce yields; China's accession to the WTO and its import demand; and the Canada/US exchange rate.

Area seeded in Western Canada is forecast to shift into spring wheat, coarse grains, flaxseed and some special crops due to higher expected relative net returns, with areas of canola and summerfallow expected to decline. Total production of grains and oilseeds in Canada is forecast by AAFC to increase by about 5% from 2000-01, to 65 million tonnes (Mt), assuming normal yields. Supplies are not expected to rise to the same extent as production, as a result of lower carry-in stocks, and a significant decrease in corn imports due to increased corn production in Eastern Canada. Total exports are forecast to increase slightly, to about 29.1 Mt, as higher exports of spring wheat, durum, barley, and flaxseed more than offset lower exports of canola and oats.

WHEAT (ex-durum)

For 2000-01, exports are forecast to decline due to lower supplies, and remain below the 10-year average of 16 Mt. Carry-out stocks are forecast to fall to the lowest level since 1995-96.

For 2001-02, production is projected to increase marginally, as higher area seeded is offset by lower yields. Exports are forecast to rise by 2% to 14.6 Mt, due to strong world demand. Feed use is expected to decline due to larger barley supplies and better wheat quality, but remain historically high due to strong demand from the hog industry. Carry-out stocks are expected to continue to decline, reaching the lowest level since 1994-95. The Canadian Wheat Board (CWB) Feb. Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$203/t, in-store Vancouver/St. Lawrence, \$13/t above the 2000-01 PRO. Ontario wheat production is forecast to decline by 18% to 1.2 Mt, largely due to a lower seeded area. The Ontario Wheat Producers' Marketing Board's total pool return for No.1 CEWWh wheat is forecast by AAFC at \$115-125/t, \$10/t above 2000-01.

DURUM

For 2000-01, exports are forecast to increase marginally, despite larger supplies, due to strong competition from other exporters. Feed use is up sharply, due to increased supplies of poor quality durum. Carry-out stocks are forecast to rise to a record 2.7 Mt. For 2001-02, production is expected to rise marginally to the 2nd largest on record. Supplies are projected to reach a record 8.4 Mt. Exports, however, are forecast to rise by only 0.3 Mt, due to declining world demand, with a return to normal production forecast for North Africa, and continued competition from other exporters. Carry-out stocks are projected to rise to a burdensome level. The CWB PRO for No.1 CWAD 11.5% protein is down by \$24/t, to \$191/t, a substantial discount to spring wheat.

BARLEY

For 2000-01, exports are forecast to increase due to increased supplies. Carry-out stocks are forecast to increase slightly.

For 2001-02, barley production is forecast to increase due to a larger seeded area, lower abandonment and higher yields in Alberta

and Saskatchewan. Feed barley exports are expected to increase significantly due to larger supplies. Malting barley exports are expected to rise slightly. Carry-out stocks are forecast to increase. Off-Board feed barley prices are expected to increase slightly, due to higher US corn prices. The CWB PRO for No.1 CW feed barley is \$146/t, up by \$4/t from the 2000-01 PRO. Prices for malting barley are forecast to decline due to increased supplies in Canada, Australia, the EU and the US. The CWB PRO for Special Select 2 Row Designated barley is \$190/t, vs. the 2000-01 PRO of \$203/t.

OATS

For 2000-01, exports are forecast to increase. Domestic use is projected to decline due to lower feed use. Carry-out stocks are expected to decrease.

For 2001-02, production is forecast to rise, due to higher seeded area and lower abandonment. Exports are expected to decrease slightly but remain near the 5-year average. Carry-out stocks are expected to remain unchanged. Prices are expected to increase by \$5/t, following US corn prices.

CORN

For 2000-01, imports are forecast to increase sharply to record high levels due to reduced production in Eastern Canada.

Imports into Western Canada are expected to decrease due to the provisional duty imposed by the Canada Customs and Revenue Agency on grain corn imported from the US into provinces west of the Manitoba/Ontario border. Carry-out stocks are expected to decrease.

For 2001-02, production is forecast to rise, as yields in Eastern Canada return to normal. Imports are expected to fall while carry-out stocks increase. Prices are forecast to increase marginally, with stronger US corn prices partly offset by a weaker basis.

CANOLA

For 2000-01, exports are expected to rise due to strong Chinese and Mexican demand. Domestic crush is expected to be similar to last year. The pace of crush during the second half of 2000-01 is expected to be lower than the first half because of weak vegetable oil prices caused by abundant

supplies of alternative oils. Carry-out stocks are expected to decline but remain historically high.

For 2001-02, production is forecast to fall by 13% mainly due to a major decrease in seeded area. Domestic supplies are forecast to decline to the lowest level since 1996-97, due to lower carry-in stocks and production. Exports are forecast to decrease while crush is expected to remain unchanged. Carry-out stocks are expected to decrease significantly. The average price of canola, I/S Vancouver, is forecast to decline by \$10/t to a midpoint of \$260/t, the lowest since 1986-87, due to burdensome world vegetable oil supplies.

FLAXSEED (excluding solin)

For 2000-01, exports to the EU are expected to increase sharply. Carry-out stocks are forecast to decrease to a near normal level.

For 2001-02, production is forecast to rise due to an increase in seeded area and a return to normal yields. Exports are projected to rise due to increased demand from the EU. The average price of flaxseed is forecast to increase by \$5/t, to \$250/t, I/S Thunder Bay, due to lower carry-out stocks.

SOYBEANS

For 2000-01, imports are expected to decline by 9%. Usage is forecast to decline slightly as higher exports partly offset the drop in crush. Carry-out stocks are projected to decrease.

For 2001-02, production is forecast to increase due to a rise in area seeded, related to lower winter wheat plantings, and increased yields. Exports are projected to remain stable while domestic crush rises to a record high. The average price is forecast to decline by \$10/t, to \$240/t, I/S Chatham, the lowest since 1991-92, due to projected record high production in the US.

FURTHER INFORMATION:

WheatGlenn Lennox....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains..Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca

CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

MARCH 5, 2001

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1999-2000 | 1,760 | 2.44 | 4,300 | 9 | 6,257 | 3,575 | 263 | 373 | 888 | 1,793 | 207 |
| 2000-2001f | 2,614 | 2.16 | 5,647 | 3 | 7,443 | 3,600 | 250 | 633 | 1,143 | 2,700 | 215 * |
| 2001-2002f | 2,650 | 2.15 | 5,700 | 3 | 8,403 | 3,900 | 255 | 648 | 1,103 | 3,400 | 191 * |
| Wheat Except Durum | | | | | | | | | | | |
| 1999-2000 | 8,606 | 2.63 | 22,600 | 6 | 28,093 | 14,737 | 2,693 | 4,252 | 7,774 | 5,582 | 168 |
| 2000-2001f | 8,349 | 2.53 | 21,157 | 40 | 26,778 | 14,300 | 2,710 | 4,028 | 7,578 | 4,900 | 190 * |
| 2001-2002f | 8,535 | 2.48 | 21,200 | 12 | 26,112 | 14,600 | 2,735 | 3,700 | 7,312 | 4,200 | 203 * |
| All Wheat | | | | | | | | | | | |
| 1999-2000 | 10,367 | 2.59 | 26,900 | 14 | 34,349 | 18,313 | 2,956 | 4,625 | 8,662 | 7,375 | |
| 2000-2001f | 10,963 | 2.44 | 26,804 | 43 | 34,222 | 17,900 | 2,960 | 4,662 | 8,722 | 7,600 | |
| 2001-2002f | 11,185 | 2.40 | 26,900 | 15 | 34,515 | 18,500 | 2,990 | 4,348 | 8,415 | 7,600 | |
| Barley | | | | | | | | | | | |
| 1999-2000 | 4,069 | 3.24 | 13,196 | 33 | 15,966 | 2,392 | 253 | 9,809 | 10,503 | 3,071 | 110 |
| 2000-2001f | 4,551 | 2.96 | 13,468 | 50 | 16,589 | 2,600 | 335 | 10,099 | 10,889 | 3,100 | 110-130 |
| 2001-2002f | 4,766 | 3.09 | 14,746 | 30 | 17,876 | 3,200 | 360 | 10,361 | 11,176 | 3,500 | 110-140 |
| Corn | | | | | | | | | | | |
| 1999-2000 | 1,141 | 8.03 | 9,161 | 1,023 | 11,069 | 226 | 2,020 | 7,240 | 9,291 | 1,552 | 107 |
| 2000-2001f | 1,088 | 6.27 | 6,827 | 1,600 | 9,978 | 150 | 2,125 | 6,922 | 9,078 | 750 | 110-130 |
| 2001-2002f | 1,191 | 7.50 | 8,934 | 800 | 10,484 | 200 | 2,225 | 6,977 | 9,234 | 1,050 | 110-140 |
| Oats | | | | | | | | | | | |
| 1999-2000 | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,573 | 191 | 1,753 | 2,104 | 1,057 | 128 |
| 2000-2001f | 1,299 | 2.61 | 3,389 | 4 | 4,450 | 1,725 | 190 | 1,612 | 1,975 | 750 | 120-140 |
| 2001-2002f | 1,401 | 2.59 | 3,625 | 4 | 4,379 | 1,600 | 210 | 1,651 | 2,029 | 750 | 120-150 |
| Rye | | | | | | | | | | | |
| 1999-2000 | 169 | 2.29 | 387 | 4 | 557 | 85 | 69 | 222 | 310 | 162 | |
| 2000-2001f | 115 | 2.27 | 260 | 4 | 426 | 90 | 75 | 140 | 236 | 100 | |
| 2001-2002f | 137 | 2.28 | 313 | 3 | 416 | 90 | 75 | 130 | 226 | 100 | |
| Mixed Grains | | | | | | | | | | | |
| 1999-2000 | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001f | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002f | 161 | 2.81 | 453 | 0 | 453 | 0 | 0 | 453 | 453 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1999-2000 | 6,930 | 3.87 | 26,832 | 1,064 | 32,772 | 4,276 | 2,533 | 19,470 | 22,655 | 5,842 | |
| 2000-2001f | 7,181 | 3.39 | 24,327 | 1,658 | 31,826 | 4,565 | 2,725 | 19,156 | 22,561 | 4,700 | |
| 2001-2002f | 7,656 | 3.67 | 28,070 | 837 | 33,608 | 5,090 | 2,870 | 19,571 | 23,117 | 5,400 | |
| Canola | | | | | | | | | | | |
| 1999-2000 | 5,564 | 1.58 | 8,798 | 124 | 9,556 | 3,885 | 2,983 | 583 | 3,605 | 2,066 | 288 |
| 2000-2001f | 4,816 | 1.48 | 7,119 | 150 | 9,335 | 4,400 | 3,000 | 495 | 3,535 | 1,400 | 255-285 |
| 2001-2002f | 4,315 | 1.43 | 6,170 | 250 | 7,820 | 3,800 | 3,000 | 447 | 3,470 | 550 | 240-280 |
| Flaxseed | | | | | | | | | | | |
| 1999-2000 | 777 | 1.32 | 1,022 | 2 | 1,175 | 568 | N/A | N/A | 226 | 381 | 237 |
| 2000-2001f | 591 | 1.17 | 693 | 3 | 1,077 | 650 | N/A | N/A | 227 | 200 | 230-260 |
| 2001-2002f | 637 | 1.35 | 859 | 3 | 1,062 | 700 | N/A | N/A | 212 | 150 | 230-270 |
| Soybeans | | | | | | | | | | | |
| 1999-2000 | 1,004 | 2.77 | 2,781 | 455 | 3,478 | 948 | 1,712 | 493 | 2,277 | 252 | 256 |
| 2000-2001f | 1,061 | 2.55 | 2,703 | 415 | 3,370 | 1,000 | 1,650 | 440 | 2,160 | 210 | 235-265 |
| 2001-2002f | 1,087 | 2.77 | 3,007 | 300 | 3,517 | 1,000 | 1,725 | 462 | 2,257 | 260 | 220-260 |
| Total Oilseeds | | | | | | | | | | | |
| 1999-2000 | 7,345 | 1.72 | 12,602 | 581 | 14,208 | 5,401 | 4,695 | 1,076 | 6,108 | 2,699 | |
| 2000-2001f | 6,468 | 1.63 | 10,515 | 568 | 13,783 | 6,050 | 4,650 | 935 | 5,922 | 1,810 | |
| 2001-2002f | 6,039 | 1.66 | 10,036 | 553 | 12,399 | 5,500 | 4,725 | 909 | 5,939 | 960 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1999-2000 | 24,642 | 2.69 | 66,334 | 1,659 | 81,330 | 27,989 | 10,184 | 25,172 | 37,425 | 15,916 | |
| 2000-2001f | 24,612 | 2.50 | 61,646 | 2,269 | 79,830 | 28,515 | 10,335 | 24,753 | 37,205 | 14,111 | |
| 2001-2002f | 24,880 | 2.61 | 65,006 | 1,405 | 80,522 | 29,090 | 10,585 | 24,829 | 37,472 | 13,960 | |

(a) Aug.-July crop year except corn and soybeans which are September to August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver); Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (No. 3 CW, WCE cash Track Minneapolis); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB Pool Return Outlook (PRO): February 2001 for No.1 CWRS and No.1 CWAD with 11.5% protein This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f - Agriculture and Agri-Food Canada forecast March 5, 2001, except wheat and durum, which are the CWB February 26 forecasts.

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

CANADA: SPECIAL CROPS SITUATION AND OUTLOOK

MARCH 7, 2001

For 2000-2001, total Canadian special crop production increased by 21% to a record 4.94 million tonnes (Mt), due to higher seeded area, which was partly offset by lower yields. Exports and domestic use are forecast to increase significantly. Therefore, carry-out stocks are expected to decrease. Average prices, compared to 1999-00, are forecast to increase for sunflower seed, decrease for dry peas, dry beans, lentils, mustard seed and buckwheat, and be similar for chick peas and canary seed.

For 2001-2002, total Canadian area seeded to special crops is forecast to increase by 5%, due to relatively strong prices compared to some alternative crops. The areas seeded to dry peas, chick peas, mustard seed and sunflower seed are forecast to increase, while the areas seeded to lentils, canary seed and buckwheat are expected to be similar to 2000-01, and the seeded area to dry beans is expected to decrease. Assuming trend yields, production is forecast to increase by 5% to 5.2 Mt. Total supply is expected to increase marginally. Exports are expected to remain stable, while domestic use increases, resulting in lower carry-out stocks. Average prices, compared to 2000-01, are forecast to increase for dry peas, dry beans, chick peas, mustard seed, canary seed and sunflower seed, decrease for lentils and be similar for buckwheat.

DRY PEAS

For 2000-2001, production and total supply increased. Exports and domestic use are forecast to increase significantly due to stronger demand. Carry-out stocks are forecast to decrease, with a stocks-to-use (s/u) ratio of 8%. The average price over all types, grades and markets is forecast to decrease slightly.

For 2001-2002, production is forecast to increase by 4%, as a 5% increase in seeded area is partly offset by lower trend yields. Total supply is forecast to decrease marginally because of lower carry-in stocks. Total world supply is expected to increase by 5% to 12.4 Mt because of higher production in the EU and Canada, but this is expected to be offset by increased demand. Canadian exports are forecast to decrease because of lower supply, while domestic use increases. Carry-out stocks are forecast to decrease, with a s/u ratio of 6%. Lower Canadian carry-out stocks and higher feed grain prices are expected to support pea prices. The average price is forecast to increase slightly.

LENTILS

For 2000-2001, production and total supply increased significantly. Exports are forecast to increase. Carry-out stocks are forecast to rise, with a s/u ratio of 17%. The larger supply and carry-out stocks are expected to pressure prices. The average price over all types and grades is forecast to fall by 18%. For 2001-2002, production is forecast to increase slightly, with a stable seeded area and higher trend yields. Total supply is forecast to increase by 8% due mainly to higher carry-in stocks. Total world supply is expected to increase slightly to about 3.56 Mt and Canada's share of total world supply is also expected to increase. Therefore, Canadian exports are expected to increase. Carry-out stocks are forecast to increase, with a s/u ratio of 19%. The average price is forecast to decrease slightly due to the slightly higher world supply.

DRY BEANS

For 2000-2001, production and total supply decreased. Exports are forecast to increase slightly, and carry-out stocks are expected to decrease, with a low s/u ratio of 3%. Although production decreased in Canada and the US, higher carry-in stocks prevented North American total supply from dropping sufficiently to support prices. The average price, over all classes and grades, is forecast to decrease slightly.

For 2001-2002, production is forecast to increase by 8%, as an 8% decrease in seeded area is more than offset by higher trend yields. Total supply is expected to decrease slightly because of lower carry-in stocks. Exports are forecast to decrease slightly because of the lower supply, and carry-out stocks are expected to remain low. Production and total supply in the US is expected to decrease. The average price is forecast to increase by about 7%.

CHICK PEAS

For 2000-2001, production and total supply nearly doubled. Exports are forecast to more than triple because of higher supply and strong world demand. Carry-out stocks are forecast to increase, with a s/u ratio of 11%. The average price over both kabuli and desi types and all sizes and grades is forecast to be similar to 1999-00.

For 2001-2002, production is forecast to increase by 21% due to a 25% increase in seeded area, which is partly offset by lower trend yields. Assuming normal growing conditions, the average quality of the crop should improve. Total Canadian supply is forecast to increase by 27% due to higher carry-in stocks. Total world supply is expected to decrease marginally to about 9.23 Mt, but Canada's share of total world supply increases. Therefore, Canadian exports and carry-out stocks are forecast to increase, with a s/u ratio of 18%. The average price is forecast to increase marginally because of better expected crop quality and a shift in production to the higher priced kabuli type.

MUSTARD SEED

For 2000-2001, production and total supply decreased significantly. Exports are forecast to increase. Carry-out stocks are forecast to decrease, with a s/u ratio of 34%. The average price over all types and grades is forecast to fall by about 5%.

For 2001-2002, production is forecast to increase in line with a 5% increase in seeded area. Total supply is forecast to decrease due to lower carry-in stocks. Exports are expected to remain stable. Carry-out stocks are forecast to decrease, with the s/u ratio dropping to 21%. The average price is forecast to increase by about 5%.

CANARY SEED

For 2000-2001, although production increased slightly, total supply decreased

due to lower carry-in stocks. Exports are forecast to increase. Carry-out stocks are expected to decrease, with a s/u ratio of 30%. The average price is forecast to be similar to 1999-00.

For 2001-2002, production is forecast to increase by 8%, with a stable seeded area and higher trend yields. Total supply is forecast to decrease due to lower carry-in stocks. Exports are expected to increase. Carry-out stocks are forecast to decrease, with a s/u ratio of 17%. The average price is forecast to increase by about 5% because of the tighter supply.

SUNFLOWER SEED

For 2000-2001, production decreased, while total supply increased because of higher carry-in stocks. Exports and domestic use are expected to increase. Carry-out stocks are forecast to decrease, with a s/u ratio of 25%. The average price over both confectionary and oilseed types is forecast to increase by about 8%, because of stronger prices for the confectionary type and a shift to the production of the higher priced confectionary type.

For 2001-2002, production is forecast to decrease slightly, as a 10% increase in seeded area is offset by lower trend yields. Total supply is forecast to decrease because of lower production and carry-in stocks. Exports are expected to remain stable, while domestic use increases. Carry-out stocks are forecast to decrease, with the s/u ratio dropping to 13%. Total world supply is expected to decrease slightly to about 24.8 Mt. The average price is forecast to increase marginally.

BUCKWHEAT

For 2000-2001, production increased. Exports and domestic use are forecast to remain stable. The average price over all grades and markets is forecast to decrease marginally due to higher world supply. For 2001-2002, production is forecast to increase by about 20%, with a stable seeded area and higher trend yields. Exports and domestic use are forecast to increase. The average price is forecast to be similar to 2000-01, in line with stable world total supply of about 2.97 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mail skrypetzs@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mail olesonf@em.agr.ca

CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS

MARCH 7, 2001

| Grain and Crop Year (a) | Harvested Area kha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (c) | Ending Stocks | Average Price (d) \$/t |
|------------------------------------|--------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,974 | 1,116 | 523 | 335 | 177 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 132 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,409 | 830 | 400 | 135 |
| 2000-2001f | 1,220 | 2.35 | 2,864 | 10 | 3,274 | 2,000 | 1,024 | 250 | 120-140 |
| 2001-2002f | 1,280 | 2.33 | 2,980 | 10 | 3,240 | 1,900 | 1,140 | 200 | 120-150 |
| Lentils | | | | | | | | | |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 523 | 349 | 109 | 65 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001f | 688 | 1.33 | 914 | 5 | 999 | 650 | 204 | 145 | 300-320 |
| 2001-2002f | 690 | 1.35 | 930 | 5 | 1,080 | 700 | 210 | 170 | 290-320 |
| Dry Beans | | | | | | | | | |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 261 | 59 | 40 | 500 |
| 2000-2001f | 165 | 1.62 | 268 | 30 | 338 | 265 | 63 | 10 | 480-500 |
| 2001-2002f | 152 | 1.91 | 290 | 30 | 330 | 260 | 60 | 10 | 510-540 |
| Chick Peas | | | | | | | | | |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001f | 283 | 1.37 | 387 | 2 | 404 | 200 | 164 | 40 | 380-400 |
| 2001-2002f | 354 | 1.33 | 470 | 2 | 512 | 250 | 182 | 80 | 380-410 |
| Mustard Seed | | | | | | | | | |
| 1997-1998 | 292 | 0.83 | 243 | 2 | 283 | 166 | 69 | 48 | 398 |
| 1998-1999 | 279 | 0.86 | 239 | 1 | 288 | 162 | 76 | 50 | 348 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 165 | 77 | 115 | 285 |
| 2000-2001f | 208 | 0.97 | 202 | 1 | 318 | 170 | 68 | 80 | 260-280 |
| 2001-2002f | 218 | 0.96 | 210 | 1 | 291 | 170 | 71 | 50 | 270-300 |
| Canary Seed | | | | | | | | | |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 245 | 134 | 47 | 64 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001f | 164 | 1.04 | 171 | 0 | 261 | 165 | 36 | 60 | 230-250 |
| 2001-2002f | 165 | 1.12 | 185 | 0 | 245 | 170 | 40 | 35 | 235-265 |
| Sunflower Seed | | | | | | | | | |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 88 | 45 | 40 | 3 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001f | 69 | 1.72 | 119 | 15 | 175 | 65 | 75 | 35 | 310-330 |
| 2001-2002f | 76 | 1.51 | 115 | 15 | 165 | 65 | 80 | 20 | 310-340 |
| Buckwheat | | | | | | | | | |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001f | 15 | 0.93 | 14 | 1 | 16 | 8 | 7 | 1 | 290-310 |
| 2001-2002f | 15 | 1.13 | 17 | 1 | 19 | 10 | 8 | 1 | 285-315 |
| Total Special Crops (e) | | | | | | | | | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 54 | 3,343 | 1,949 | 862 | 532 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,299 | 2,634 | 1,034 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,608 | 1,404 | 782 | |
| 2000-2001f | 2,812 | 1.76 | 4,939 | 64 | 5,785 | 3,523 | 1,641 | 621 | |
| 2001-2002f | 2,950 | 1.76 | 5,197 | 64 | 5,882 | 3,525 | 1,791 | 566 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes food, feed, seed, waste and dockage.

(d) Producer price, FOB plant. Average over all types, grades and markets.

(e) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

f - Agriculture and Agri-Food Canada forecast, March 7, 2001

Source: Statistics Canada and industry consultations.

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday February 12, 2001

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 136.70 | 137.20 | 139.50 | 123.70 |
| | | OATS | 115.65 | 111.62 | N/A | N/A |
| | | BARLEY | 126.70 | 122.90 | 125.00 | 112.30 |
| To: Bayports, Ont. | In-store | WHEAT | 161.81 | 162.31 | 164.61 | 148.81 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 156.15 | 152.35 | 154.45 | 141.75 |
| Montreal, Que. | In-store | WHEAT | 166.66 | 167.16 | 169.46 | 153.66 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 161.66 | 157.86 | 159.96 | 147.26 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 189.16 | 189.66 | 191.96 | 176.16 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 187.72 | 183.92 | 186.02 | 173.32 |
| Truro, N.S. | Truck via Halifax | WHEAT | 186.60 | 187.10 | 189.40 | 173.60 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 182.84 | 179.04 | 181.14 | 168.44 |
| Halifax, N.S. | In-store | WHEAT | 173.93 | 174.43 | 176.73 | 160.93 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 169.17 | 165.37 | 167.47 | 154.77 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 231.63 | 232.13 | 234.43 | 218.63 |
| | | OATS | 221.85 | 217.82 | N/A | N/A |
| | | BARLEY | 233.84 | 230.04 | 232.14 | 219.44 |
| From: Melfort, Sask. | FOB | WHEAT | 123.70 | 125.00 | 128.50 | 110.70 |
| | | OATS | 97.82 | 95.80 | 100.14 | 111.00 |
| | | BARLEY | 113.50 | 115.80 | 116.10 | 97.30 |
| To: Bayports, Ont. | Track | WHEAT | 179.82 | 181.12 | 184.62 | 166.82 |
| | | OATS | 156.69 | 154.67 | 159.01 | 169.87 |
| | | BARLEY | 166.89 | 169.19 | 169.49 | 150.69 |
| Montreal, Que. | Track | WHEAT | 180.57 | 181.87 | 185.37 | 167.57 |
| | | OATS | 157.59 | 155.57 | 159.91 | 170.77 |
| | | BARLEY | 167.71 | 170.01 | 170.31 | 151.51 |
| Moncton, N.B. | Track | WHEAT | 201.75 | 203.05 | 206.55 | 188.75 |
| | | OATS | 180.93 | 178.91 | 183.25 | 194.11 |
| | | BARLEY | 179.82 | 182.12 | 182.42 | 163.62 |
| Truro, N.S. | Track | WHEAT | 201.92 | 203.22 | 206.72 | 188.92 |
| | | OATS | 181.90 | 179.88 | 184.22 | 195.08 |
| | | BARLEY | 193.44 | 195.74 | 196.04 | 177.24 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 245.26 | 246.56 | 250.06 | 232.26 |
| | | OATS | 229.28 | 227.26 | 231.60 | 242.46 |
| | | BARLEY | 241.73 | 244.03 | 244.33 | 225.53 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|---------------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 121.87 | 122.30 | 125.64 | 124.40 |
| To: Montreal, Que. (US Corn) | In-store | | 142.99 | 143.42 | N/A | 145.52 |
| From: Saginaw (Mi) | Track | | 115.34 | 114.66 | 119.16 | 116.40 |
| To: Montreal, Que. (US Corn) | Track | | 142.88 | 142.20 | 146.70 | 143.94 |
| From: Chatham | Track | | 131.98 | 134.64 | N/A | 117.22 |
| To: Montreal, Que. | Track | | 154.87 | 157.53 | 160.38 | 140.11 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|---------------|---------------|
| From: Hamilton, Ont. | | | 296.08 | 299.94 | 325.51 | 268.85 |
| To: Montreal, Que. | Track | | 318.55 | 322.41 | 347.98 | 291.32 |
| Moncton, N.B. | Track | | 335.86 | 339.72 | 365.29 | 308.63 |
| Truro, N.S. | Track | | 338.83 | 342.69 | 368.26 | 311.60 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 388.09 | 391.95 | 417.52 | 360.86 |

1. Prices include two month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|------------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| | | | | | | | | | | | | | | | | | |
| Vancouver | This week | FOB | (1) 140.66 | N/A | 140.16 | (2) 179.00 | | 321.00 | (7) 232.00 | 115.00 | 360.00 | (4) 800.00 | 365.00 | | | | 475.00 |
| B.C. | Week ago | | (1) 143.66 | N/A | 142.16 | (2) 178.00 | | 326.50 | (7) 228.00 | 116.00 | 360.00 | (4) 800.00 | 365.00 | | | | 475.00 |
| Calgary | This week | FOB | (1) 117.50 | 105.00 | 117.00 | (2) 159.00 | | 303.50 | 179.00 | | 320.00 | (4) 850.00 | 435.00 | | | | 475.00 |
| Alta | Week ago | | (1) 120.50 | 105.00 | 119.00 | (2) 159.00 | | 306.50 | 179.00 | | 320.00 | (4) 850.00 | 435.00 | | | | 475.00 |
| Saskatoon | This week | FOB | (1) 118.00 | 106.50 | 108.50 | (2) 139.00 | | 294.50 | 227.00 | | 315.00 | (4) N/A | 435.00 | | 150.67 | | 475.00 |
| Sask. | Week ago | | (1) 123.50 | 112.00 | 109.00 | (2) 138.00 | | 298.00 | 208.00 | | 315.00 | (4) N/A | 435.00 | | 153.33 | | 475.00 |
| Melfort | This week | FOB | (1) 115.60 | 95.63 | 111.60 | | | | | | | | | | | | |
| Sask. | Week ago | | (1) 121.90 | 95.63 | 114.60 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | (1) 105.95 | 104.22 | 99.70 | (2) 134.00 | | 278.50 | 216.00 | | 305.00 | (4) 695.00 | 420.00 | | | | 425.00 |
| Man. | Week ago | | (1) 111.25 | 106.83 | 102.70 | (2) 134.00 | | 280.00 | 197.00 | | 305.00 | (4) 695.00 | 420.00 | | | | 425.00 |
| Thunder Bay | This week | Track | (1) 130.60 | 111.61 | 120.50 | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 135.60 | 111.61 | 127.60 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | (3) 123.62 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | (3) 125.24 | | | | | | | | | | | |
| Bay Ports | This week | In-store | (1) 154.60 | 176.00 | 157.80 | | | | | | | | | | | | |
| Ont. | Week ago | | (1) 160.90 | 172.00 | 159.30 | | | | | | | | | | | | |
| Chatham | This week | Track | | | | (2) 133.16 | | | | | | | | | | | |
| Ont. | Week ago | | | | | (2) 133.06 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | | | | | | | |
| Ont. | Week ago | | | | | | FOB | 295.09 | 204.70 | | | | | | | | |
| Hamilton | This week | N/A | | | | | | 298.06 | 193.34 | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Eastern | This week | FOB | | | | (2) 138.31 | | | | | | | | | | | |
| Ontario | Week ago | | | | | (2) 138.85 | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | | | | | | | | | | | |
| Que. | Week ago | | | | | | FOB | 306.77 | 228.83 | 131.25 | 314.00 | (5) 695.00 | 287.00 | 490.00 | 147.00 | 227.00 | 390.00 |
| Trois-Riv. | This week | In-store | (1) 158.60 | | 154.60 | (2) 156.29 | | 309.46 | 219.24 | 132.25 | 314.00 | (5) 695.00 | 287.00 | 500.00 | 152.00 | 225.00 | 390.00 |
| Que. | Week ago | | | | | | | | | | | | | | | | |
| St-Jean Que. | This week | FOB | (1) 163.90 | | 157.60 | (2) 152.35 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | (1) 155.43 | 115.00 | 149.60 | (2) 134.34 | | | | | | | | | | | |
| Quebec | This week | In-store | (1) 161.73 | 106.50 | 151.93 | (2) 135.03 | | | | | | | | | | | |
| Que. | Week ago | | (1) 156.43 | | 153.27 | (2) 150.62 | FOB | 307.58 | | | | | | | | | |
| | Week ago | | (1) 162.73 | | 155.60 | (2) 153.67 | | 309.08 | | | | | | | | | |
| Truro | This week | Track | (1) 188.09 | 189.29 | 181.17 | (2) 178.12 | FOB | 332.40 | 246.91 | | 351.00 | | 385.00 | | | | 419.00 |
| N.S. | Week ago | | (1) 189.75 | 189.29 | 181.17 | (2) 177.76 | | 330.58 | 239.74 | | 351.00 | | 395.00 | | | | 419.00 |
| Truro | This week | Water | (1) 181.00 | N/A | N/A | N/A | | | | | | | | | | | |
| N.S. | Week ago | & Truck | (1) 184.00 | N/A | N/A | N/A | | | | | | | | | | | |
| Halifax | This week | In-store | (1) 172.00 | N/A | N/A | N/A | FOB | | | 273.50 | | (5) 690.00 | | | | | |
| N.S. | Week ago | | (1) 175.00 | N/A | N/A | N/A | | | | 273.50 | | (5) 690.00 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5313 as of February 26, 2001

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat , No.1 Feed Oats , No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein , Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday February 26, 2001

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 130.60 | 135.60 | 135.00 | 122.60 |
| | | OATS | 111.61 | 111.61 | N/A | N/A |
| | | BARLEY | 120.50 | 127.60 | 123.80 | 108.30 |
| To: Bayports, Ont. | In-store | WHEAT | 157.71 | 162.71 | 160.11 | 149.71 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 152.24 | 159.34 | 1. | 153.25 |
| Montreal, Que. | In-store | WHEAT | 162.68 | 167.68 | 1. | 164.96 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 158.15 | 165.25 | 1. | 158.76 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 185.08 | 190.08 | 187.46 | 177.08 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 183.92 | 191.02 | 184.82 | 171.72 |
| Truro, N.S. | Truck via Halifax | WHEAT | 182.58 | 187.58 | 184.90 | 174.58 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 179.04 | 186.14 | 179.94 | 166.84 |
| Halifax, N.S. | In-store | WHEAT | 169.91 | 174.91 | 1. | 172.23 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 165.36 | 172.46 | 1. | 166.27 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 225.53 | 230.53 | 229.93 | 217.53 |
| | | OATS | 217.81 | 217.81 | N/A | N/A |
| | | BARLEY | 227.64 | 234.74 | 230.94 | 215.44 |
| From: Melfort, Sask. | FOB | WHEAT | 115.60 | 121.90 | 124.00 | 111.10 |
| | | OATS | 95.63 | 95.63 | 93.77 | 107.50 |
| | | BARLEY | 111.60 | 114.60 | 114.20 | 95.30 |
| To: Bayports, Ont. | Track | WHEAT | 171.72 | 178.02 | 180.12 | 167.22 |
| | | OATS | 154.50 | 154.50 | 152.64 | 166.37 |
| | | BARLEY | 164.99 | 167.99 | 167.59 | 148.69 |
| Montreal, Que. | Track | WHEAT | 172.47 | 178.77 | 180.87 | 167.97 |
| | | OATS | 155.40 | 155.40 | 153.54 | 167.27 |
| | | BARLEY | 165.81 | 168.81 | 168.41 | 149.51 |
| Moncton, N.B. | Track | WHEAT | 193.65 | 199.95 | 202.05 | 189.15 |
| | | OATS | 178.74 | 178.74 | 176.88 | 190.61 |
| | | BARLEY | 177.92 | 180.92 | 180.52 | 161.62 |
| Truro, N.S. | Track | WHEAT | 193.82 | 200.12 | 202.22 | 189.32 |
| | | OATS | 179.71 | 179.71 | 177.85 | 191.58 |
| | | BARLEY | 191.54 | 194.54 | 194.14 | 175.24 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 237.16 | 243.46 | 245.56 | 232.66 |
| | | OATS | 227.09 | 227.09 | 225.23 | 238.96 |
| | | BARLEY | 239.83 | 242.83 | 242.43 | 223.53 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|---------------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 123.62 | 125.24 | | |
| To: Montreal, Que. (US Corn) | In-store | | 146.95 | 148.57 | 1. | 121.27 |
| | | | | | N/A | 144.52 |
| From: Saginaw (Mi) | Track | | 117.57 | 119.19 | 113.56 | 113.20 |
| To: Montreal, Que. (US Corn) | Track | | 145.11 | 146.73 | 141.10 | 140.74 |
| From: Chatham | Track | | 133.16 | 133.06 | N/A | 117.91 |
| To: Montreal, Que. | Track | | 156.05 | 155.95 | 156.15 | 140.80 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|---------------|---------------|
| From: Hamilton, Ont. | | | 295.09 | 298.06 | 306.44 | 269.95 |
| To: Montreal, Que. | Track | | 317.56 | 320.53 | 328.91 | 292.42 |
| Moncton, N.B. | Track | | 334.87 | 337.84 | 346.22 | 309.73 |
| Truro, N.S. | Track | | 337.84 | 340.81 | 349.19 | 312.70 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 387.10 | 390.07 | 398.45 | 361.96 |

1. Prices include three month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

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CANADA: AREA SEEDED FOR 2001-2002

Expected net returns, derived from projected prices, yields, and variable costs of production, exert a major influence on seeding decisions. However, soil moisture conditions, expected delivery opportunities, cash flow, crop rotation requirements, potential disease and pest problems, and on-farm stocks are also very important factors that are taken into consideration. In Canada, area for 2001-2002 is expected to shift from canola and summerfallow to spring wheat, barley, flaxseed, soybeans, dry peas, and chick peas. This issue of the *Bi-weekly Bulletin* examines the returns and expected area seeded for grains, oilseeds, and special crops in Canada.

Expected returns are one of the most important factors affecting cropping decisions. Returns, net of variable or operating costs, affect short-term cropping decisions, while returns, net of total costs (fixed and variable), influence long-term decisions, such as rotation patterns and entry into, or exit from, the industry. It should be emphasized that the net returns shown in the crop budgets do not represent the profitability of growing a crop since other costs must also be accounted for. Fixed costs such as land rental, property taxes, hired labour and machinery depreciation, as well as the value of a farmer's own labour, are not included.

As each province's agriculture department uses a different methodology, the crop budgets are not comparable across provinces. Saskatchewan Agriculture and Food provides crop budgets for crops seeded to fallow and stubble land in the brown, dark brown and black soil zones. Alberta Agriculture, Food and Rural Development (AAFRD) provides budgets for crops seeded to fallow and stubble in the brown, and dark brown soil zones. For the black and gray soil zones, AAFRD provides budgets for only the crops seeded to stubble. Manitoba Agriculture provides average crop budgets which do not differentiate between fallow and stubble. The Ontario Ministry of Agriculture Food and Rural Affairs provides average crop budgets.

Productivity in western Canada is dependant on soil type. For example, the brown soil in the semi-arid region of the Prairies is subject to wide variations in crop yields and is more subject to drought than the dark brown soil zone. The black soil zone is located in a higher moisture region and has better moisture retention characteristics than the brown soil zone, resulting in higher average yields. This zone is rarely subject to drought. The gray soil zone, extending into the northern regions of the Prairies, is characterized by higher moisture levels,

cooler temperatures, and a shorter growing season. Climatic conditions also influence the susceptibility of crops to disease and pest infestations, requiring different combinations and levels of herbicides and pesticides.

PRICE FORECASTS

Average farm prices by province have been forecast by Agriculture and Agri-Food Canada (AAFC). Price forecasts for wheat (except Ontario), durum, and malting barley are based on the Canadian Wheat Board (CWB) March 2001-2002 Pool Return Outlook (PRO) and AAFC's assumption that the port-to-farm basis will increase marginally from 2000-2001. Price forecasts can vary considerably as a result of unusual weather in the major importing or exporting countries, and other changes in market conditions.

YIELD FORECASTS

Average provincial yields have been forecast by AAFC, using trend analysis. Adjustments for soil zone are based on historical data from Statistics Canada. Adjustments to a 'stubble' basis were based on provincial data. Actual yields can vary greatly due to factors such as weather, disease, pests or input use.

FERTILIZER COSTS

Rising fertilizer costs in 2001 will have a significant impact on net returns and therefore may affect seeding intentions. Natural gas is the primary raw material required for the production of ammonia, which is the foundation for virtually all forms of nitrogen fertilizer. The average North American plant requires about 33.5 million British thermal units (MBtu) to produce one tonne of ammonia. With natural gas currently priced at about US\$5/MBtu, one tonne of nitrogen fertilizer will cost about US\$193 to produce $\{33.5 \text{ MBtu} \times \$5 + \$25 \text{ (fixed cost)}\}$. Prices for natural gas, and therefore fertilizer, are not expected to decline until summer when demand for natural gas

significantly drops. During January, approximately 35% of total North American ammonia production was shutdown because fertilizer prices had not risen enough to compensate for the higher cost of production. Currently, all production capacity has returned and it is estimated that supplies of fertilizer are sufficient to meet expected demand. For 2001-2002, nitrogen fertilizer prices are forecast to average significantly higher than

CANADA: AREA SEEDED

| | 2000 ...000 ha..... | 2001f | Change % |
|----------------------|------------------------|----------------|--------------|
| Durum | 2,643 | 2,680 | 1.4% |
| Wheat ex. Durum | 8,545 | 8,733 | 2.2% |
| All Wheat | 11,188 | 11,413 | 2.0% |
| Barley | 5,081 | 5,180 | 1.9% |
| Corn | 1,178 | 1,183 | 0.5% |
| Oats | 1,820 | 1,832 | 0.7% |
| Rye | 188 | 184 | -2.1% |
| Mixed Grain | 270 | 246 | -8.8% |
| Coarse Grains | 8,537 | 8,625 | 1.0% |
| Canola | 4,895 | 4,359 | -10.9% |
| Flaxseed | 595 | 650 | 9.3% |
| Soybeans | 1,069 | 1,113 | 4.2% |
| Oilseeds | 6,558 | 6,122 | -6.6% |
| Dry Peas | 1,240 | 1,364 | 10.0% |
| White Pea Beans | 75 | 63 | -15.4% |
| Coloured Beans | 95 | 90 | -4.8% |
| Lentils | 699 | 699 | 0.0% |
| Mustard | 212 | 223 | 5.0% |
| Sunflower Seed | 75 | 82 | 9.6% |
| Canary Seed | 166 | 166 | 0.0% |
| Chick Peas | 295 | 369 | 24.9% |
| Buckwheat | 16 | 16 | 0.0% |
| Special Crops | 2,872 | 3,072 | 7.0% |
| Summerfallow | 4,688 | 4,523 | -3.5% |

The sum of individual commodities may not equal totals due to rounding.

f: forecast, AAFC, March 2001

Source: Statistics Canada



2000-2001 values. The forecasts were based on dealer survey estimates. Fertilizer input costs could increase as much as 22% for some crops, while the Nitrogen component of fertilizer cost has risen as much as 38%. It is expected that producers may switch some of their seeding to crops that require a lower percentage of nitrogen fertilizer.

CROP BUDGETS: PRAIRIE PROVINCES

There are significant differences in the variable costs between provinces and soil zones. A high percentage of the variation between provinces is due to seed (including treatment) costs, and the costs of fertilizer and pesticides. To compare budgets across the provinces, custom work costs for western Canada have been included in the chemical costs, while for Ontario, custom work costs have been added to chemical and fertilizer costs. The 'other' cost category is used to assign a value to overhead expenses such as utilities. In Ontario, other costs includes marketing fees and drying. The cost of management and/or owner/operator labour has not been included in the budgets.

In **Manitoba**, the highest projected net return is for spring wheat, followed by dry peas, small green lentils, flaxseed, and oats. Net returns are forecast to be the lowest for canola and feed barley. Strong local feed demand and good returns for malting barley, however, should support barley production.

In the **Saskatchewan brown soil zone**, the highest net return is for large kabuli chick peas and desi chick peas, but the increase in area seeded to these crops will be limited due to higher production risks. The projected net return is lowest for feed barley. In the **black soil zone**, malting barley (Special Select 2 Row - SS2R) and spring wheat have the highest potential net return, followed by dry peas, flaxseed, and feed barley. Projected returns from oats and canola are the lowest. In the **Alberta brown soil zone**, the potential net returns for large kabuli chick peas, and large green lentils are the highest, but again, area seeded to these crops will be limited due to higher production risks. For the major grains, spring wheat, and durum are expected to have the highest net returns, while feed barley is forecast to have a somewhat lower net return. Polish canola is not expected to cover variable costs of production. In the **black soil zone**, the net returns for spring wheat, Prairie Spring (CPS) wheat, and dry peas are forecast to be the highest. Argentine canola, feed barley and oats are expected to have more modest net returns.

In **Ontario** white pea beans have the highest net return. Net returns from soybeans are expected to exceed the returns for corn. Expected returns for wheat are lower than for corn or soybeans. Feed barley returns are

CROP BUDGETS: 2001-2002

MANITOBA

| | Spring Wheat | Feed Barley ⁴ | Canola | Flax- seed | Oats | Small Grn. Lentils | Dry Peas |
|--|-----------------|-----------------------------|---------------|---------------|---------------|-----------------------|---------------|
| Variable Costs ^{1/} | | | | | | | |
| | \$/ha | | | | | | |
| Seed (inc. treatment) | 27.36 | 18.80 | 50.19 | 19.35 | 26.69 | 31.95 | 43.68 |
| Fertilizer | 69.74 | 69.74 | 83.75 | 61.28 | 64.88 | 43.05 | 39.95 |
| Chemicals | 79.07 | 49.42 | 121.08 | 61.78 | 14.83 | 126.03 | 64.25 |
| Fuel | 30.89 | 30.89 | 30.89 | 27.80 | 27.80 | 33.36 | 35.83 |
| Repairs | 24.71 | 24.71 | 24.71 | 24.71 | 24.71 | 27.18 | 25.95 |
| Crop Insurance | 12.85 | 10.63 | 19.52 | 12.11 | 12.36 | 21.50 | 12.97 |
| Interest | 12.16 | 10.39 | 15.90 | 10.65 | 9.09 | 13.84 | 11.25 |
| Other | 18.53 | 18.53 | 18.53 | 18.53 | 18.53 | 18.53 | 19.77 |
| Total Variable Costs | 275.31 | 233.11 | 364.57 | 236.21 | 198.89 | 315.44 | 253.65 |
| Projected Returns ^{2/} | 2 CWRS* | 1 CW | 1 CAN | 1 CW | 3 CW | 2 CAN | 2 CAN |
| Projected Yield (t/ha) | 2.44 | 3.20 | 1.63 | 1.45 | 2.89 | 1.35 | 2.42 |
| Projected Price (\$/t) | 174.00 | 85.00 | 220.00 | 215.00 | 90.00 | 290.00 | 145.00 |
| Projected Revenue (\$/ha) | 424.56 | 272.00 | 358.60 | 311.75 | 260.10 | 391.50 | 350.90 |
| Net Return (\$/ha) | 149.25 | 38.89 | -5.97 | 75.54 | 61.21 | 76.06 | 97.25 |

SASKATCHEWAN: Brown Soil Zone - conventional seeded stubble

| | Spring Wheat | Durum Wheat | Feed Barley ⁴ | Lg Grn Lentils | Yellow Mustard | Lg Kabuli Chick Peas | Desi Chick Peas |
|--|-----------------|----------------|-----------------------------|-------------------|-------------------|-------------------------|--------------------|
| Variable Costs ^{3/} | | | | | | | |
| | \$/ha | | | | | | |
| Seed (inc. treatment) | 16.62 | 20.13 | 13.63 | 44.46 | 6.67 | 221.31 | 63.36 |
| Fertilizer | 46.19 | 46.19 | 46.19 | 20.50 | 51.13 | 20.50 | 20.50 |
| Chemicals | 45.99 | 46.53 | 41.27 | 86.82 | 58.22 | 65.75 | 55.30 |
| Fuel | 24.70 | 24.70 | 24.70 | 27.17 | 25.94 | 27.17 | 27.17 |
| Repairs | 14.82 | 14.82 | 14.82 | 22.23 | 14.82 | 22.23 | 22.23 |
| Crop Insurance | 2.91 | 3.53 | 4.32 | 15.22 | 6.30 | 23.93 | 18.90 |
| Interest | 5.90 | 6.08 | 5.68 | 8.35 | 6.35 | 14.52 | 8.03 |
| Other | 6.35 | 6.35 | 6.35 | 6.35 | 6.35 | 6.35 | 6.35 |
| Total Variable Costs | 163.48 | 168.33 | 156.96 | 231.10 | 175.78 | 401.76 | 221.84 |
| Projected Returns ^{2/} | 1 CWRS* | 1 CWAD* | 1 CW | 1 CAN | 1 CAN | 2 CW | 2 CW |
| Projected Yield (t/ha) | 1.74 | 1.72 | 2.13 | 0.99 | 0.82 | 1.17 | 1.54 |
| Projected Price (\$/t) | 174.00 | 152.00 | 90.00 | 340.00 | 340.00 | 560.00 | 275.00 |
| Projected Revenue (\$/ha) | 302.76 | 261.44 | 191.70 | 336.60 | 278.80 | 655.20 | 423.50 |
| Net Return (\$/ha) | 139.28 | 93.11 | 34.74 | 105.50 | 103.02 | 253.44 | 201.66 |

SASKATCHEWAN: Black Soil Zone - conventional seeded stubble

| | Spring Wheat | Malting Barley | Feed Barley ⁴ | Oats | Dry Peas | Flaxseed | Canola |
|--|-----------------|-------------------|-----------------------------|---------------|---------------|---------------|---------------|
| Variable Costs ^{3/} | | | | | | | |
| | \$/ha | | | | | | |
| Seed (inc. treatment) | 18.06 | 14.99 | 14.99 | 14.84 | 35.57 | 13.83 | 29.64 |
| Fertilizer | 63.73 | 63.73 | 63.73 | 63.73 | 20.50 | 63.73 | 73.61 |
| Chemicals | 63.97 | 52.34 | 52.34 | 34.41 | 58.76 | 58.88 | 67.55 |
| Fuel | 24.70 | 24.70 | 24.70 | 24.70 | 27.17 | 27.17 | 25.32 |
| Repairs | 19.76 | 19.76 | 19.76 | 19.76 | 28.16 | 23.71 | 19.76 |
| Crop Insurance | 4.27 | 4.17 | 4.17 | 4.10 | 6.20 | 4.79 | 5.19 |
| Interest | 7.66 | 7.09 | 7.09 | 6.42 | 6.97 | 7.56 | 8.67 |
| Other | 9.53 | 9.53 | 9.53 | 9.53 | 9.53 | 9.53 | 9.53 |
| Total Variable Costs | 211.68 | 196.31 | 196.31 | 177.49 | 192.86 | 209.20 | 239.27 |
| Projected Returns ^{2/} | 2 CWRS* | SS2R | 1 CW | 3 CW | 2 CAN | 2 CW | 1 CW |
| Projected Yield (t/ha) | 2.31 | 2.80 | 2.90 | 2.42 | 2.18 | 1.33 | 1.23 |
| Projected Price (\$/t) | 170.00 | 139.00 | 85.00 | 85.00 | 140.00 | 210.00 | 225.00 |
| Projected Revenue (\$/ha) | 392.70 | 389.20 | 246.50 | 205.70 | 305.20 | 279.30 | 276.75 |
| Net Return (\$/ha) | 181.02 | 192.89 | 50.19 | 28.21 | 112.34 | 70.10 | 37.48 |

Totals may not add due to rounding

^{1/} Manitoba Agriculture

^{2/} AAFC forecast, March 2001

^{3/} Saskatchewan Agriculture and Food

^{4/} Off-Board

* Wheat: 13.5% protein / Durum: 12.5% protein

CROP BUDGETS: 2001-2002

ALBERTA: Brown Soil Zone - stubble

| | Spring Wheat | Durum Wheat | Feed Barley ^{4/} | Polish Canola | Lg Grn. Lentils | Lg Kabuli Chick Peas |
|---------------------------------------|-----------------|----------------|------------------------------|------------------|--------------------|-------------------------|
| Variable Costs^{1/} | \$ /ha | | | | | |
| Seed (inc. treatment) | 17.29 | 18.53 | 14.82 | 22.23 | 49.40 | 197.60 |
| Fertilizer | 58.29 | 58.29 | 58.29 | 65.21 | 18.28 | 18.28 |
| Chemicals | 58.05 | 58.05 | 29.64 | 60.52 | 60.52 | 107.45 |
| Fuel | 19.76 | 19.76 | 19.76 | 19.76 | 19.76 | 19.76 |
| Repairs | 17.29 | 17.29 | 17.29 | 17.29 | 19.76 | 19.76 |
| Crop Insurance | 8.42 | 9.66 | 9.61 | 15.09 | 14.82 | 14.82 |
| Interest | 4.94 | 4.94 | 4.94 | 4.94 | 6.18 | 6.18 |
| Other | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Total Variable Costs | 185.02 | 187.52 | 155.35 | 206.04 | 189.71 | 384.85 |
| Projected Returns^{2/} | 1 CWRS* | 1 CWAD* | 1 CW | 1 CAN | 1 CAN | 2 CW |
| Projected Yield (t/ha) | 1.75 | 1.84 | 2.28 | 0.78 | 0.96 | 1.16 |
| Projected Price (\$/t) | 182.00 | 155.00 | 95.00 | 230.00 | 345.00 | 560.00 |
| Projected Revenue (\$/ha) | 318.50 | 285.20 | 216.60 | 179.40 | 331.20 | 649.60 |
| Net Return (\$/ha) | 133.48 | 97.68 | 61.25 | -26.64 | 141.48 | 264.75 |

ALBERTA: Black Soil Zone

| | Spring Wheat | CPS Red Wheat | Feed Barley ^{4/} | Oats | Dry Peas | Argentine Canola |
|---------------------------------------|-----------------|------------------|------------------------------|---------------|---------------|---------------------|
| Variable Costs^{1/} | \$ /ha | | | | | |
| Seed (inc. treatment) | 27.17 | 49.40 | 22.23 | 19.76 | 59.28 | 29.64 |
| Fertilizer | 89.29 | 89.29 | 89.29 | 89.29 | 35.82 | 110.41 |
| Chemicals | 59.28 | 59.28 | 54.34 | 25.94 | 66.69 | 79.04 |
| Fuel | 22.23 | 22.23 | 22.23 | 22.23 | 22.23 | 22.23 |
| Repairs | 24.70 | 24.70 | 24.70 | 24.70 | 27.17 | 24.70 |
| Crop Insurance | 7.26 | 7.76 | 6.67 | 8.03 | 7.78 | 11.95 |
| Interest | 4.94 | 4.94 | 4.94 | 4.94 | 4.94 | 6.18 |
| Other | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Total Variable Costs | 235.87 | 258.60 | 225.40 | 195.89 | 224.91 | 285.15 |
| Projected Returns^{2/} | 2 CWRS* | 1 CPS | 1 CW | 3 CW | 2 CAN | 1 CAN |
| Projected Yield (t/ha) | 2.60 | 3.05 | 3.19 | 2.57 | 2.55 | 1.55 |
| Projected Price (\$/t) | 178.00 | 137.00 | 90.00 | 85.00 | 145.00 | 230.00 |
| Projected Revenue (\$/ha) | 462.80 | 417.85 | 287.10 | 218.45 | 369.75 | 356.50 |
| Net Return (\$/ha) | 226.93 | 159.25 | 61.70 | 22.56 | 144.84 | 71.35 |

ONTARIO

| | SWW Wheat | HRW Wheat | Feed Barley | Grain Corn | Soybeans | White Pea Beans |
|---------------------------------------|---------------|----------------|----------------|---------------|---------------|--------------------|
| Variable Costs^{3/} | \$ /ha | | | | | |
| Seed (inc. treatment) | 69.16 | 107.69 | 53.85 | 121.03 | 91.39 | 81.51 |
| Fertilizer | 134.12 | 170.68 | 120.54 | 212.79 | 32.60 | 48.91 |
| Chemicals | 12.35 | 12.35 | 85.22 | 122.27 | 103.74 | 96.33 |
| Fuel | 31.12 | 31.12 | 41.50 | 51.87 | 40.01 | 47.42 |
| Repairs | 44.46 | 44.46 | 49.40 | 46.93 | 39.52 | 61.75 |
| Crop Insurance | 16.18 | 16.18 | 9.02 | 25.56 | 21.00 | 38.04 |
| Interest | 26.68 | 25.44 | 14.33 | 23.22 | 13.21 | 14.94 |
| Other (includes drying) | 0.00 | 4.50 | n/a | 106.56 | 9.89 | n/a |
| Total Variable Costs | 334.07 | 412.42 | 373.86 | 710.23 | 351.36 | 388.90 |
| Projected Returns^{2/} | 1 CEWW | 1 CERW* | Feed | 2 CE | 2 CW | 1 CAN |
| Projected Yield (t/ha) | 4.70 | 4.25 | 3.22 | 7.64 | 2.70 | 1.70 |
| Projected Price (\$/t) | 110.00 | 130.00 | 105.00 | 125.00 | 240.00 | 485.00 |
| Projected Revenue (\$/ha) | 517.00 | 552.50 | 338.10 | 955.00 | 648.00 | 824.50 |
| Net Return (\$/ha) | 182.93 | 140.08 | -35.76 | 244.77 | 296.64 | 435.60 |

Totals may not add due to rounding

^{1/} Alberta Agriculture, Food and Rural Development

^{2/} AAFC forecast, March 2001

^{3/} Ontario Ministry of Agriculture, Food and Rural Affairs (except drying costs)

^{4/} Off-Board

* CWRS: 13.5% protein / ICWAD: 12.5% protein / 1 CERW 11.5% protein

expected to be very low, however most of this crop is used for on farm feeding so that market price is less of a factor in planting decisions.

AREA SHIFTS

Area seeded in Western Canada is forecast to shift into spring wheat, coarse grains, flaxseed and some special crops due to higher expected relative net returns, with areas of canola and summerfallow expected to decline. In eastern Canada, area seeded is expected to shift out of winter wheat into soybeans.

In western Canada, **all wheat** area is forecast to increase. **Spring wheat** area is forecast to increase to 8.39 Mha in 2001 from 8.04 Mha largely due to the higher expected net returns in 2001. Area seeded to **durum** is expected to increase slightly to 2.68 Mha due to strong prices expected in the current crop year and relatively strong returns anticipated for 2001-2002 in comparison to some of the alternative crops. The expected marketability of the durum crop is the major factor which will discourage durum area. For 2000-2001 and 2001-2002 carry-out stocks are forecast to establish records of 2.7 Mt and 3.4 Mt, respectively. The CWB PRO indicates that the price of No. 1 Canada Western Amber Durum (CWAD) 12.5% protein, compared to No.1 Canada Western Red Spring (CWRS) 12.5% protein, is forecast to shift from a premium of \$31 per tonne (t) in 2000-2001 to a discount of \$17/t for 2001-2002.

Despite relatively low projected net returns for feed barley, area seeded to **barley** in western Canada is forecast to increase modestly from 2000, to 4.89 Mha, due to strong domestic demand from a growing livestock sector, its role as a good cash crop, and strong projected returns from malting barley. Although exports are expected to increase significantly due to larger supplies, carry-out stocks are expected to increase. The premium for malting barley over feed barley is forecast to decline due to increased supplies of malting barley in the major exporting countries. The premium for two-row malting barley over six-row is expected to decrease slightly. Area seeded to **oats** in western Canada is projected to increase slightly to 1.70 Mha due to relatively good prices for high quality milling oats.

The price outlook for **oilseeds** in Canada remains weak, largely driven by low vegetable oil prices. U.S. soybean supplies are expected to reach a record high in 2001-2002 mainly due to increased production resulting from the high U.S. government marketing loan rate, and high carry-in stocks.

Canola prices are forecast to fall from 2000-2001 due to burdensome world soybean, soy oil and palm oil supplies. Low net returns, and higher fertilizer, seed and chemical costs are expected to shift a significant area out of canola into other crops. In western Canada canola area is projected to decrease by 11% to 4.34 Mha. However, due to its historic role

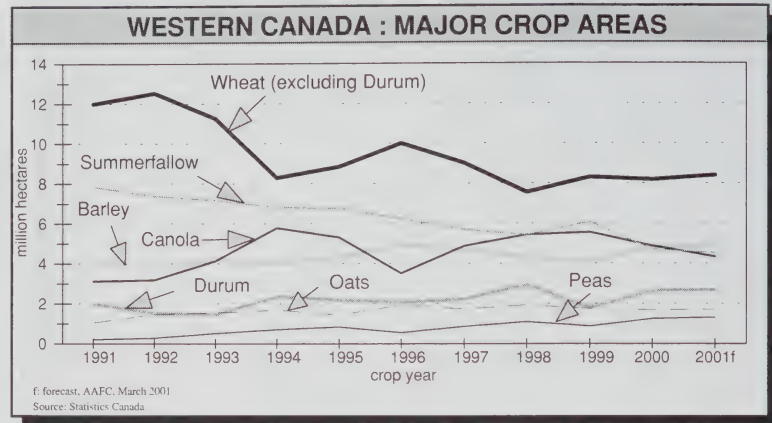
as a cash crop, the area seeded to canola is expected to remain higher than implied by current net returns.

Flaxseed area is forecast to increase by about 9% to 0.65 Mha in 2001, due to relatively good projected net returns. Exports are expected to rise by 8%, primarily as a result of increased EU demand. Prices for flaxseed are expected to remain stable as a result of decreased carry-out stocks expected for 2001-2002.

Special Crops

In western Canada, area seeded to special crops in 2001 is expected to increase by about 7% to 3.02 Mha. Areas seeded to **chick peas** and **sunflowers** are forecast to increase by 25% and 10% respectively. The increase in chick pea area can be attributed to high net returns compared to alternative crops. **Dry Pea** area is expected to increase by about 10% compared to 2000. The area seeded to **lentils** is expected to be similar to 2000-2001. Lentil prices are expected to decrease from 2000-2001 levels. **Mustard** area is forecast to increase by 5% to 0.22 Mha as a result of lower carry-in stocks and improved prices. Prices are expected to increase about 5% over 2000-2001 levels. Net returns are expected to improve about 37% over last year. The oriental and brown mustard varieties have higher yields but usually lower price versus yellow mustard. Area seeded to **canary seed** is forecast to remain stable at 0.17 Mha. Prices are expected to improve by about 5% in 2001-2002.

Summerfallow area has been steadily declining since 1988, reaching a low of 4.69 Mha in 2000, because new technology, especially herbicide, has allowed for continuous cropping. Also the increased availability of alternative crops, some of which are nitrogen-fixing, and the use of crop rotation, has decreased the producers' reliance on summerfallow. Summerfallow area in 2001 is expected to decrease by 4% to 4.52 Mha. If conditions in the spring are



excessively dry, coupled with higher input cost, summerfallow area could be higher than expected. Many farmers, especially in southern Saskatchewan, will not risk seeding a crop into stubble land if there is little moisture. Current moisture conditions in Alberta, South West and Central Saskatchewan range between 40 and 60% below average and seeded area could be significantly reduced should this condition persist until seeding.

Ontario

Area seeded to **winter wheat** in the fall of 2000 is estimated by Statistics Canada to be 14% lower than 1999 at 0.24 Mha due to a wet fall and a late soybean harvest. Expected net returns for winter wheat are lower than for other crops such as white beans, soybeans, and grain corn. However, winter wheat is a rotation crop and a source of cash during the summer for many Ontario farmers, with seeded area largely dependent on fall seeding conditions.

Area seeded to **soybeans** in Ontario is expected to increase relative to corn. The increase is due to lower seeded winter wheat area and better expected net returns for soybeans. Soybean area has been steadily increasing over the years due to the increase in

no-till operations, the benefits of a wheat/soybean rotation and positive net returns which have been consistently above corn for the last five years.

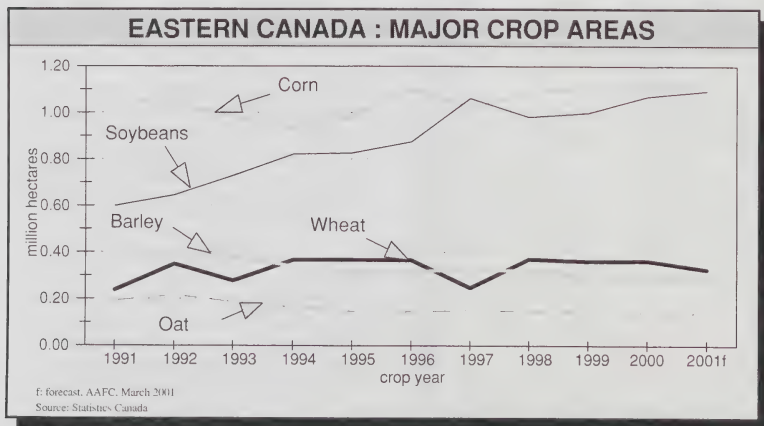
Although the expected net return is the highest for **white pea beans** in Ontario, the area seeded to white beans is forecast to decrease to 18,000 ha. This is due to relatively low expected prices and higher risk associated in producing white pea beans compared to other crops. **Coloured bean** area is expected to remain similar to 2000-2001 at 20,000 ha.

For more information please contact:

Sergio Novelli,
Market Analyst
Phone: (204) 983-6865
E-mail: novellis@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>



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Market Analysis Division,
Strategic Policy Branch,
Marketing Policy Directorate,
Agriculture and Agri-Food Canada,
500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524
Editor: Gordon MacMichael
E-mail: macmichaelg@em.agr.ca

Director: Maggie Liu
Chief: Fred Oleson

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CANADA: SPECIAL CROPS SITUATION AND OUTLOOK MARCH 30, 2001

For 2001-2002, total Canadian area seeded to special crops is forecast to increase by 7%, due to higher expected relative net returns compared to some alternative crops. The areas seeded to dry peas, chick peas, mustard seed and sunflower seed are forecast to increase, while the areas seeded to lentils, canary seed and buckwheat are expected to be similar to 2000-01, and the areas which are dry. Continuing dry weather might encourage producers to switch away from small-seed crops, such as mustard seed and canola, into larger-seed crops, such as dry peas, lentils, chick peas, and cereal grains. However, the extent of the increase in seeded areas for dry peas, lentils and chick peas could be limited by the availability of inoculant, which is used to maximize nitrogen fixation. Assuming trend yields, production is forecast to increase by 8% to 5.34 Mt. Total supply is expected to increase by only 3% because of lower carry-in stocks. Exports are forecast to remain stable, while domestic use increases, resulting in only slightly higher carry-out stocks. Average prices, compared to 2000-01, are forecast to increase for dry beans, mustard seed, canary seed and sunflower seed, decrease for lentils and be similar for dry peas, chick peas and buckwheat.

DRY PEAS

For 2000-2001, exports and domestic use are forecast to increase significantly due to stronger demand. Canadian exports are being supported by decreased competition from France, because of lower production, and strong demand in both the feed and food markets. Carry-out stocks are forecast to decrease to a low level, with a stocks-to-use (s/u) ratio of 6%.

For 2001-2002, production is forecast to increase by 9%, as a 10% increase in seeded area is partly offset by lower trend yields. Total supply is forecast to increase only slightly because of lower carry-in stocks. Total world supply is expected to increase by 5% to 12.1 Mt because of higher production in the EU and Canada, but this is expected to be mostly offset by increased demand in the EU and other countries. Canadian exports are forecast to decrease because of increased production in the EU, while domestic use increases because of increased use for livestock feed. Carry-out stocks are forecast to increase, but still remain low with a s/u ratio of 8%. Prices are expected to be supported by stable feed grain prices and strong demand in both the feed and food markets, but pressured by lower protein meal prices and higher world supply. Therefore, the average price over all types, grades and markets is forecast to be the same as in 2000-01.

LENTILS

For 2000-2001, exports are forecast to increase significantly because of strong demand and Canada's increased share of world supply. Carry-out stocks are forecast to rise because of larger supply, with a s/u ratio of 17%.

For 2001-2002, production is forecast to increase slightly, with a stable seeded area and higher trend yields. Total supply is forecast to increase by 8% due mainly to higher carry-in stocks. Total world supply is expected to increase slightly to about 3.56 Mt and Canada's share of total world supply is expected to increase. Therefore, Canadian exports are expected to increase. Carry-out stocks are forecast to increase, with a s/u ratio of 19%. The average price over all types and grades is forecast to decrease slightly.

DRY BEANS

For 2000-2001, exports are forecast to increase slightly, and carry-out stocks are expected to decrease, with a low s/u ratio of 3%.

For 2001-2002, production is forecast to increase by 8%, as an 8% decrease in seeded area is more than offset by higher trend

yields. Production of white pea beans is forecast to increase only slightly to 113,000 t, while production of coloured beans increases by about 11% to 177,000 t. Total supply is expected to decrease slightly because of lower carry-in stocks. Exports are forecast to decrease slightly because of the lower supply, and carry-out stocks are expected to remain low. US production is expected to decrease by 15%. The average price, over all classes and grades, is forecast to increase by about 8% because of the smaller total US and Canadian supply.

CHICK PEAS

For 2000-2001, exports are forecast to more than triple because of higher Canadian supply and strong world demand. Carry-out stocks are forecast to increase, with a s/u ratio of 11%.

For 2001-2002, production is forecast to increase by 21% due to a 25% increase in seeded area, which is partly offset by lower trend yields. Production of the kabuli type is forecast to increase, while production of the desi type remains stable. Assuming normal growing conditions, the average quality of the crop should improve. Total Canadian supply is forecast to increase by 27% due to higher production and carry-in stocks. Total world supply is expected to decrease marginally to about 9.23 Mt, with a decrease for the desi type and an increase for the kabuli type. Canada's share of total world supply is forecast to increase to 5.5% from 4.3% in 2000-01. Therefore, Canadian exports are forecast to increase. Carry-out stocks are also forecast to increase with a s/u ratio of 18%. Average prices are forecast to be pressured by higher Canadian supply and carry-out stocks, but supported by higher expected quality and a shift to the production of the higher-priced kabuli type. Therefore, the average price over both kabuli and desi types and all sizes and grades is forecast to be the same as in 2000-01.

MUSTARD SEED

For 2000-2001, exports are forecast to increase. Carry-out stocks are forecast to decrease, with a s/u ratio of 34%.

For 2001-2002, production is forecast to increase in line with a 5% increase in seeded area. Production is forecast to increase for the yellow type, remain stable for the brown type and decrease for the oriental type. Total supply is forecast to decrease due to lower carry-in stocks. Exports are expected to remain stable. Carry-out stocks are forecast to decrease, with the s/u ratio dropping to 21%. The average price over all types and grades is forecast to increase by

about 5% because of the lower supply.

CANARY SEED

For 2000-2001, exports are forecast to increase because of stronger demand. Carry-out stocks are expected to decrease, with a s/u ratio of 30%.

For 2001-2002, production is forecast to increase by 8%, with a stable seeded area and higher trend yields. Total supply is forecast to decrease due to lower carry-in stocks. Exports are expected to increase, due to growing demand. Carry-out stocks are forecast to decrease, with a s/u ratio of 17%. The average price is forecast to increase by about 5% because of the lower supply.

SUNFLOWER SEED

For 2000-2001, exports and domestic use are forecast to increase. Carry-out stocks are expected to decrease, with a s/u ratio of 25%.

For 2001-2002, production is forecast to decrease slightly, as a 10% increase in seeded area is offset by lower trend yields. About 75% of the production is forecast to be the confectionary type and 25% the oilseed type. Total supply is forecast to decrease because of lower production and carry-in stocks. Exports are expected to remain stable, while domestic use increases in line with the growing domestic bird seed and confectionary processing industries. Carry-out stocks are forecast to decrease, with the s/u ratio dropping to 13%. Total world supply is expected to remain stable at about 24.9 Mt. US total supply of the confectionary type is expected to be similar to 2000-01, but decrease by about 10% for the oilseed type. The average price over both confectionary and oilseed types is forecast to increase marginally, because of stronger world demand.

BUCKWHEAT

For 2000-2001, exports and domestic use are forecast to remain stable.

For 2001-2002, production is forecast to increase by about 20%, with a stable seeded area and higher trend yields. Total use is forecast to increase. The average price over all grades and markets is forecast to be the same as in 2000-01, in line with stable world total supply of about 2.97 Mt.

FOOTNOTES INFORMATION:

Stan Skrypetz(204) 983-8972
E-mail skrypetz@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mail olesonf@em.agr.ca

CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS

MARCH 30, 2001

| Grain and Crop Year (a) | Harvested | Yield t/ha | Production | Imports | Total | Exports | Total | Ending | Average |
|-----------------------------------|----------------|---------------|------------|---------|--------|---------|------------------|--------|-----------|
| | Area 000 ha | | | (b) | Supply | (b) | Domestic Use (c) | Stocks | Price (d) |
| ----- thousand metric tonnes----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,974 | 1,116 | 523 | 335 | 180 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,409 | 830 | 400 | 135 |
| 2000-2001f | 1,220 | 2.35 | 2,864 | 10 | 3,274 | 2,050 | 1,034 | 190 | 120-140 |
| 2001-2002f | 1,340 | 2.33 | 3,120 | 10 | 3,320 | 1,900 | 1,170 | 250 | 115-145 |
| Lentils | | | | | | | | | |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 523 | 349 | 109 | 65 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001f | 688 | 1.33 | 914 | 5 | 999 | 650 | 204 | 145 | 295-315 |
| 2001-2002f | 690 | 1.35 | 930 | 5 | 1,080 | 700 | 210 | 170 | 285-315 |
| Dry Beans | | | | | | | | | |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 261 | 59 | 40 | 500 |
| 2000-2001f | 165 | 1.62 | 268 | 30 | 338 | 265 | 63 | 10 | 475-495 |
| 2001-2002f | 152 | 1.91 | 290 | 30 | 330 | 260 | 60 | 10 | 510-540 |
| Chick Peas | | | | | | | | | |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001f | 283 | 1.37 | 387 | 2 | 404 | 200 | 164 | 40 | 385-405 |
| 2001-2002f | 354 | 1.33 | 470 | 2 | 512 | 250 | 182 | 80 | 380-410 |
| Mustard Seed | | | | | | | | | |
| 1997-1998 | 292 | 0.83 | 243 | 2 | 283 | 166 | 69 | 48 | 398 |
| 1998-1999 | 279 | 0.86 | 239 | 1 | 288 | 162 | 76 | 50 | 348 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 165 | 77 | 115 | 285 |
| 2000-2001f | 208 | 0.97 | 202 | 1 | 318 | 170 | 68 | 80 | 260-280 |
| 2001-2002f | 218 | 0.96 | 210 | 1 | 291 | 170 | 71 | 50 | 270-300 |
| Canary Seed | | | | | | | | | |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 245 | 134 | 47 | 64 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001f | 164 | 1.04 | 171 | 0 | 261 | 165 | 36 | 60 | 230-250 |
| 2001-2002f | 165 | 1.12 | 185 | 0 | 245 | 170 | 40 | 35 | 235-265 |
| Sunflower Seed | | | | | | | | | |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 88 | 45 | 40 | 3 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001f | 69 | 1.72 | 119 | 15 | 175 | 65 | 75 | 35 | 310-330 |
| 2001-2002f | 76 | 1.51 | 115 | 15 | 165 | 65 | 80 | 20 | 310-340 |
| Buckwheat | | | | | | | | | |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001f | 15 | 0.93 | 14 | 1 | 16 | 9 | 7 | 0 | 290-310 |
| 2001-2002f | 15 | 1.13 | 17 | 1 | 18 | 9 | 8 | 1 | 285-315 |
| Total Special Crops (e) | | | | | | | | | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 54 | 3,343 | 1,949 | 862 | 532 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,299 | 2,634 | 1,034 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,608 | 1,404 | 782 | |
| 2000-2001f | 2,812 | 1.76 | 4,939 | 64 | 5,785 | 3,574 | 1,651 | 560 | |
| 2001-2002f | 3,010 | 1.77 | 5,337 | 64 | 5,961 | 3,524 | 1,821 | 616 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes food, feed, seed, waste and dockage.

(d) Producer price, FOB plant. Average over all types, grades and markets.

(e) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

f - Agriculture and Agri-Food Canada forecast, March 30, 2001

Source: Statistics Canada and industry consultations.

CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

MARCH 30, 2001

| Grain and Crop Year (a) | Harvested | | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|----------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| | Area 000 ha | Yield t/ha | | | | | | | | | |
| ----- thousand metric tonnes ----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1999-2000 | 1,760 | 2.44 | 4,300 | 9 | 6,257 | 3,575 | 263 | 373 | 888 | 1,793 | 206.79 |
| 2000-2001f | 2,614 | 2.16 | 5,647 | 8 | 7,448 | 3,600 | 250 | 638 | 1,148 | 2,700 | 213 * |
| 2001-2002f | 2,650 | 2.15 | 5,700 | 5 | 8,405 | 3,900 | 255 | 650 | 1,105 | 3,400 | 191 * |
| Wheat Except Durum | | | | | | | | | | | |
| 1999-2000 | 8,606 | 2.63 | 22,600 | 6 | 28,093 | 14,737 | 2,693 | 4,252 | 7,774 | 5,582 | 167.58 |
| 2000-2001f | 8,349 | 2.53 | 21,157 | 40 | 26,778 | 14,300 | 2,710 | 4,028 | 7,578 | 4,900 | 190 * |
| 2001-2002f | 8,535 | 2.48 | 21,200 | 10 | 26,110 | 14,600 | 2,735 | 3,700 | 7,310 | 4,200 | 207 * |
| All Wheat | | | | | | | | | | | |
| 1999-2000 | 10,367 | 2.59 | 26,900 | 14 | 34,349 | 18,313 | 2,956 | 4,625 | 8,662 | 7,375 | |
| 2000-2001f | 10,963 | 2.44 | 26,804 | 48 | 34,227 | 17,900 | 2,960 | 4,667 | 8,727 | 7,600 | |
| 2001-2002f | 11,185 | 2.40 | 26,900 | 15 | 34,515 | 18,500 | 2,990 | 4,350 | 8,415 | 7,600 | |
| Barley | | | | | | | | | | | |
| 1999-2000 | 4,069 | 3.24 | 13,196 | 33 | 15,966 | 2,392 | 253 | 9,809 | 10,503 | 3,071 | 110 |
| 2000-2001f | 4,551 | 2.96 | 13,468 | 50 | 16,589 | 2,600 | 360 | 10,074 | 10,889 | 3,100 | 115-135 |
| 2001-2002f | 4,766 | 3.09 | 14,746 | 30 | 17,876 | 3,200 | 360 | 10,361 | 11,176 | 3,500 | 110-140 |
| Corn | | | | | | | | | | | |
| 1999-2000 | 1,141 | 8.03 | 9,161 | 1,023 | 11,069 | 226 | 2,020 | 7,240 | 9,291 | 1,552 | 107 |
| 2000-2001f | 1,088 | 6.27 | 6,827 | 1,800 | 10,178 | 125 | 2,125 | 7,098 | 9,254 | 800 | 115-135 |
| 2001-2002f | 1,172 | 7.50 | 8,782 | 1,100 | 10,682 | 200 | 2,225 | 7,250 | 9,507 | 975 | 110-140 |
| Oats | | | | | | | | | | | |
| 1999-2000 | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,573 | 191 | 1,753 | 2,104 | 1,057 | 128 |
| 2000-2001f | 1,299 | 2.61 | 3,389 | 4 | 4,450 | 1,725 | 190 | 1,612 | 1,975 | 750 | 120-140 |
| 2001-2002f | 1,401 | 2.59 | 3,625 | 4 | 4,379 | 1,600 | 210 | 1,651 | 2,029 | 750 | 120-150 |
| Rye | | | | | | | | | | | |
| 1999-2000 | 169 | 2.29 | 387 | 4 | 557 | 85 | 69 | 222 | 310 | 162 | |
| 2000-2001f | 115 | 2.27 | 260 | 4 | 426 | 90 | 75 | 140 | 236 | 100 | |
| 2001-2002f | 137 | 2.28 | 313 | 3 | 416 | 90 | 75 | 130 | 226 | 100 | |
| Mixed Grains | | | | | | | | | | | |
| 1999-2000 | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001f | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002f | 154 | 2.82 | 433 | 0 | 433 | 0 | 0 | 433 | 433 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1999-2000 | 6,930 | 3.87 | 26,832 | 1,064 | 32,772 | 4,276 | 2,533 | 19,470 | 22,655 | 5,842 | |
| 2000-2001f | 7,181 | 3.39 | 24,327 | 1,858 | 32,026 | 4,540 | 2,750 | 19,306 | 22,736 | 4,750 | |
| 2001-2002f | 7,629 | 3.66 | 27,898 | 1,137 | 33,785 | 5,090 | 2,870 | 19,824 | 23,370 | 5,325 | |
| Canola | | | | | | | | | | | |
| 1999-2000 | 5,564 | 1.58 | 8,798 | 124 | 9,556 | 3,885 | 2,983 | 583 | 3,605 | 2,066 | 287.97 |
| 2000-2001f | 4,816 | 1.48 | 7,119 | 150 | 9,335 | 4,600 | 3,000 | 495 | 3,535 | 1,200 | 270-300 |
| 2001-2002f | 4,315 | 1.43 | 6,170 | 250 | 7,620 | 3,800 | 3,000 | 447 | 3,470 | 350 | 250-290 |
| Flaxseed | | | | | | | | | | | |
| 1999-2000 | 777 | 1.32 | 1,022 | 2 | 1,175 | 568 | N/A | N/A | 226 | 381 | 237.04 |
| 2000-2001f | 591 | 1.17 | 693 | 3 | 1,077 | 650 | N/A | N/A | 227 | 200 | 235-265 |
| 2001-2002f | 637 | 1.35 | 859 | 3 | 1,062 | 700 | N/A | N/A | 212 | 150 | 230-270 |
| Soybeans | | | | | | | | | | | |
| 1999-2000 | 1,004 | 2.77 | 2,781 | 455 | 3,478 | 948 | 1,712 | 493 | 2,277 | 252 | 255.67 |
| 2000-2001f | 1,061 | 2.55 | 2,703 | 255 | 3,210 | 800 | 1,650 | 440 | 2,160 | 250 | 235-265 |
| 2001-2002f | 1,107 | 2.76 | 3,058 | 100 | 3,409 | 800 | 1,725 | 463 | 2,258 | 350 | 220-260 |
| Total Oilseeds | | | | | | | | | | | |
| 1999-2000 | 7,345 | 1.72 | 12,602 | 581 | 14,208 | 5,401 | 4,695 | 1,076 | 6,108 | 2,699 | |
| 2000-2001f | 6,468 | 1.63 | 10,515 | 408 | 13,623 | 6,050 | 4,650 | 935 | 5,922 | 1,650 | |
| 2001-2002f | 6,059 | 1.66 | 10,087 | 353 | 12,091 | 5,300 | 4,725 | 910 | 5,940 | 850 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1999-2000 | 24,642 | 2.69 | 66,334 | 1,659 | 81,330 | 27,989 | 10,184 | 25,172 | 37,425 | 15,916 | |
| 2000-2001f | 24,612 | 2.50 | 61,646 | 2,314 | 79,875 | 28,490 | 10,360 | 24,908 | 37,385 | 14,000 | |
| 2001-2002f | 24,873 | 2.61 | 64,885 | 1,505 | 80,391 | 28,890 | 10,585 | 25,085 | 37,726 | 13,775 | |

a) Aug.-July crop year except corn and soybeans which are September - August.

b) Excludes imports of products.

c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

d) Includes seed use.

e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver);

Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (No. 3 CW, WCE cash Track Minneapolis);

Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB Pool Return Outlook (PRO): March 2001.

* - CWB PRO: March 2001, for No.1 CWRS and No.1 CWAD with 11.5% protein. This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

; forecast, Agriculture and Agri-Food Canada, March 30, 2001

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

For 2001-02, world wheat prices (excluding durum) are expected to increase from the 2000-01 level due to lower US production and tightening world supplies. World coarse grain prices are expected to increase slightly due to lower expected corn production and ending stocks in the US, and reduced EU barley supplies. Oilseed prices, except for flaxseed, are expected to decrease from current low levels due to burdensome world oilseed supplies, especially US soybeans, and low edible oil prices. For most major crops, domestic support programs in the US and EU are expected to continue to encourage high production, which will pressure prices. The major factors to watch are: growing conditions in the major importing and exporting regions, particularly the US; the extent to which high nitrogen fertilizer prices impact on area seeded and usage in the major producing countries which may reduce yields; China's accession to the WTO and its import demand; and the Canada/US exchange rate.

Area seeded in Western Canada is forecast to shift into spring wheat, coarse grains, flaxseed and some special crops due to higher expected relative net returns, with areas of canola and summerfallow expected to decline. Total production of grains and oilseeds in Canada is forecast by AAFC to increase by about 5% from 2000-01, to 64.9 million tonnes (Mt), assuming normal yields. Supplies are not expected to rise to the same extent as production, as a result of lower carry-in stocks, and a significant decrease in corn imports due to increased corn production in Eastern Canada. Total exports are forecast to increase slightly, to about 28.9 Mt, as higher exports of wheat and coarse grains more than offsets lower exports of oilseeds. Two major factors to watch in Canada are: the potential for lower yields due to increased input costs; and the impact of the extremely dry conditions in Alberta and western Saskatchewan. If rain is not received in these regions prior to seeding, area could be shifted from small-seeded crops such as canola into cereal grains, which can be seeded deeper into available moisture, or summerfallow.

WHEAT (ex-durum)

For 2000-01, exports are forecast to decline due to lower supplies, and remain below the 10-year average of 16 Mt. Carry-out stocks are forecast to fall to the lowest level since 1995-96.

For 2001-02, production is projected to increase marginally, as higher area seeded is offset by lower yields. Exports are forecast to rise by 2% to 14.6 Mt, due to strong world demand. Feed use is expected to decline due to larger barley supplies and better wheat quality, but remain historically high due to strong demand from the hog industry. Carry-out stocks are expected to continue to decline, reaching the lowest level since 1994-95. The Canadian Wheat Board (CWB) Mar. Pool Return Outlook (PRO) for No.1 CWSR 11.5% protein is \$207/t, in-store Vancouver/St. Lawrence, \$17/t above the 2000-01 PRO. Ontario wheat production is forecast to decline by 18% to 1.2 Mt, largely due to a lower seeded area. The Ontario Wheat Producers' Marketing Board's total pool return for No.1 CEWW wheat is forecast by AAFC at \$115-125/t, \$10/t above 2000-01.

DURUM

For 2000-01, exports are expected to be similar to 1999-00, despite larger supplies, due to strong competition from other exporters. Feed use is up sharply, due to increased supplies of poor quality durum. Carry-out stocks are forecast to rise to a record 2.7 Mt.

For 2001-02, production is expected to rise marginally to the 2nd largest on record. Supplies are projected to reach a record 8.4 Mt. Exports, however, are forecast to rise by only 0.3 Mt, due to declining world demand, with higher production forecast for North Africa, and continued competition from other exporters. Carry-out stocks are projected to rise to a burdensome level of 3.4 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$191/t, down \$24/t from the 2000-01 PRO, with a large discount to spring wheat.

BARLEY

For 2000-01, exports are forecast to increase due to increased supplies. Carry-out stocks are forecast to increase slightly.

For 2001-02, barley production is forecast to increase due to a larger seeded area, lower abandonment and higher yields in Alberta and

Saskatchewan. Feed barley exports are expected to increase significantly due to larger supplies. Malting barley exports are expected to rise slightly. Carry-out stocks are forecast to increase. Off-Board feed barley prices are expected to be similar to 2000-01, as lower prices from increased supplies offset higher US corn prices. The CWB PRO for No.1 CW feed barley is \$147/t, up by \$5/t from the 2000-01 PRO. Prices for malting barley are forecast to decline due to increased supplies in Canada, Australia, the EU and the US. The CWB PRO for Special Select 2 Row Designated barley is \$194/t, vs. the 2000-01 PRO of \$205/t.

OATS

For 2000-01, exports are forecast to increase. Domestic use is projected to decline due to lower feed use. Carry-out stocks are expected to fall. For 2001-02, production is forecast to rise, due to slightly higher seeded area and lower abandonment. Exports are expected to decrease by 7% but remain near the 5-year average. Carry-out stocks are expected to remain unchanged. Prices are expected to rise by \$5/t, following US corn prices.

CORN

For 2000-01, imports are forecast to increase sharply to record high levels due to reduced production in Eastern Canada. Imports into Western Canada have been revised upward as a result of the removal of the provisional duty imposed by the Canada Customs and Revenue Agency on grain corn imported from the US into provinces west of the Manitoba/Ontario border. Carry-out stocks are expected to decrease. For 2001-02, production is forecast to rise, as yields in Eastern Canada return to normal. Imports are expected to fall, but feed use is forecast to increase. Carry-out stocks are expected to increase. Prices are forecast to be similar to 2000-01 as the stronger US corn prices are offset by a weaker basis.

CANOLA

For 2000-01, exports are expected to rise significantly due to strong Chinese and Mexican demand. Domestic crush is expected to be similar to last year. The pace of crush during the second half of 2000-01 is expected to be lower than the first half because of weak vegetable oil prices

caused by abundant supplies of alternative oils. Carry-out stocks are expected to decline but remain historically high.

For 2001-02, production is forecast to fall by 13% mainly due to a major decrease in seeded area. Domestic supplies are forecast to decline to the lowest level since 1996-97, due to lower carry-in stocks and production. Exports are forecast to decrease while crush is expected to remain unchanged. Carry-out stocks are expected to decrease significantly. The average price of canola, I/S Vancouver, is forecast to decline by \$15/t to a midpoint of \$270/t due to burdensome world vegetable oil supplies.

FLAXSEED (excluding solin)

For 2000-01, exports to the EU are expected to increase sharply. Carry-out stocks are forecast to decrease to a near normal level. For 2001-02, production is forecast to rise due to an increase in seeded area and a return to normal yields. Exports are projected to rise due to increased EU and US demand. The average price of flaxseed is forecast to remain stable at \$250/t, I/S Thunder Bay, due to lower carry-out stocks.

SOYBEANS

For 2000-01, imports are expected to decline by about 45%. Usage is forecast to decrease due to reduced exports and a smaller crush. Carry-out stocks are projected to be similar to 1999-00. For 2001-02, production is forecast to increase due to a rise in area seeded, related to lower winter wheat plantings, and increased yields. Exports are projected to remain stable while domestic crush rises to a record high. The average price is forecast to decline by \$10/t, to \$240/t, I/S Chatham, the lowest since 1991-92, due to projected record high US production.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains..Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca

| B. CASH PRICES AND REPLACEMENT VALUES | | | As of Monday March 12, 2001 | | | | | |
|---------------------------------------|--|--------------------------|-----------------------------|-----------|----------|----|-----------|----------|
| PRAIRIE GRAINS | | | | | | | | |
| SELECTED POINT | | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay | | Track | WHEAT | 130.80 | 134.30 | | 136.70 | 123.50 |
| | | | OATS | 134.78 | 111.61 | | N/A | N/A |
| | | | BARLEY | 123.80 | 123.40 | | 126.70 | 107.60 |
| To: Bayports, Ont. | | In-store | WHEAT | 157.91 | 161.41 | 1. | 161.81 | 150.61 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 155.54 | 155.14 | 1. | 156.15 | 139.34 |
| Montreal, Que. | | In-store | WHEAT | 162.88 | 166.38 | 1. | 166.66 | 155.58 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 161.45 | 161.05 | 1. | 161.66 | 145.25 |
| Moncton, N.B | | Truck via Halifax | WHEAT | 185.28 | 188.78 | | 189.16 | 177.98 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 187.22 | 186.82 | | 187.72 | 171.02 |
| Truro, N.S. | | Truck via Halifax | WHEAT | 182.78 | 186.28 | | 186.60 | 175.48 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 182.34 | 181.94 | | 182.84 | 166.14 |
| Halifax, N.S. | | In-store | WHEAT | 170.11 | 173.61 | 1. | 173.93 | 162.81 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 168.66 | 168.26 | 1. | 169.17 | 152.46 |
| Stephenville, Nfld. | | Track / Truck via Sydney | WHEAT | 225.73 | 229.23 | | 231.63 | 218.43 |
| | | | OATS | 240.98 | 217.81 | | N/A | N/A |
| | | | BARLEY | 230.94 | 230.54 | | 233.84 | 214.74 |
| From: Melfort, Sask. | | FOB | WHEAT | 122.00 | 121.50 | | 123.70 | 111.00 |
| | | | OATS | 116.75 | 95.63 | | 97.82 | 107.50 |
| | | | BARLEY | 120.40 | 117.30 | | 113.50 | 97.60 |
| To: Bayports, Ont. | | Track | WHEAT | 178.12 | 177.62 | | 179.82 | 167.12 |
| | | | OATS | 175.62 | 154.50 | | 156.69 | 166.37 |
| | | | BARLEY | 173.79 | 170.69 | | 166.89 | 150.99 |
| Montreal, Que. | | Track | WHEAT | 178.87 | 178.37 | | 180.57 | 167.87 |
| | | | OATS | 176.52 | 155.40 | | 157.59 | 167.27 |
| | | | BARLEY | 174.61 | 171.51 | | 167.71 | 151.81 |
| Moncton, N.B. | | Track | WHEAT | 200.05 | 199.55 | | 201.75 | 189.05 |
| | | | OATS | 199.86 | 178.74 | | 180.93 | 190.61 |
| | | | BARLEY | 186.72 | 183.62 | | 179.82 | 163.92 |
| Truro, N.S. | | Track | WHEAT | 200.22 | 199.72 | | 201.92 | 189.22 |
| | | | OATS | 200.83 | 179.71 | | 181.90 | 191.58 |
| | | | BARLEY | 200.34 | 197.24 | | 193.44 | 177.54 |
| Stepherville, Nfld | | Track / Truck via Sydney | WHEAT | 243.56 | 243.06 | | 245.26 | 232.56 |
| | | | OATS | 248.21 | 227.09 | | 229.28 | 238.96 |
| | | | BARLEY | 248.63 | 245.53 | | 241.73 | 225.83 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 126.94 | 128.47 | | 121.87 | 127.23 |
| To: Montreal, Que. (US Corn) | In-store | | 150.27 | 151.80 | 1. | N/A | 150.56 |
| From: Saginaw (Mi) | Track | | 119.93 | 120.90 | | 115.34 | 118.62 |
| To: Montreal, Que. (US Corn) | Track | | 147.47 | 148.44 | | 142.88 | 146.16 |
| From: Chatham | Track | | 136.51 | 134.93 | | N/A | 122.34 |
| To: Montreal, Que. | Track | | 159.40 | 157.82 | | 154.87 | 145.23 |

| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 291.78 | 291.67 | | 296.08 | 281.42 |
| To: Montreal, Que. | Track | | 314.25 | 314.14 | | 318.55 | 303.89 |
| Moncton, N.B. | Track | | 331.56 | 331.45 | | 335.86 | 321.20 |
| Truro, N.S. | Track | | 334.53 | 334.42 | | 338.83 | 324.17 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 383.79 | 383.68 | | 388.09 | 373.43 |

1. Prices include three month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | | As of Monday March 12, 2001 | | | | | |
|---|------------------|-----------------|--------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|-----------------------------|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 46% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | | | | | | |
| Vancouver B.C. | This week | FOB | 142.66 | N/A | 144.16 | 172.00 | | 311.00 | (7) 231.00 | 117.00 | 355.00 | (4) 800.00 | 365.00 | | | | 475.00 | | | | | | |
| | Week ago | | 142.66 | N/A | 142.16 | 179.00 | | 320.00 | (7) 230.00 | 115.00 | 355.00 | (4) 800.00 | 365.00 | | | | 475.00 | | | | | | |
| Calgary Alta | This week | FOB | 119.50 | 105.00 | 121.00 | 165.00 | | 305.00 | 179.00 | | 315.00 | (4) 850.00 | 400.00 | | | | 475.00 | | | | | | |
| | Week ago | | 119.50 | 105.00 | 119.00 | 161.00 | | 302.00 | 179.00 | | 315.00 | (4) 850.00 | 400.00 | | | | 475.00 | | | | | | |
| Saskatoon Sask. | This week | FOB | 127.50 | 116.00 | 113.50 | 140.00 | | 296.00 | 222.00 | | 310.00 | (4) N/A | 400.00 | | 157.33 | | 475.00 | | | | | | |
| | Week ago | | 123.50 | 112.00 | 109.00 | 141.00 | | 294.00 | 222.00 | | 310.00 | (4) N/A | 400.00 | | 153.33 | | 475.00 | | | | | | |
| Melfort Sask. | This week | FOB | 122.00 | 116.75 | 120.40 | | | | | | | | | | | | | | | | | | |
| | Week ago | | 121.50 | 95.63 | 117.30 | | | | | | | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | 111.85 | 105.73 | 105.40 | 126.00 | | 279.50 | 212.00 | | 305.00 | (4) 695.00 | 420.00 | | | | 430.00 | | | | | | |
| | Week ago | | 111.85 | 105.73 | 105.40 | 136.00 | | 277.50 | 212.00 | | 305.00 | (4) 695.00 | 420.00 | | | | 430.00 | | | | | | |
| Thunder Bay Ont. | This week | Track | 130.80 | 134.78 | 123.80 | | | | | | | | | | | | | | | | | | |
| | Week ago | | 134.30 | 111.61 | 123.40 | | | | | | | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board Vessel | | | | 126.94 | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 128.47 | | | | | | | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | 159.40 | 176.00 | 161.20 | | | | | | | | | | | | | | | | | | |
| | Week ago | | 160.90 | 176.00 | 165.65 | | | | | | | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | 136.51 | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 134.93 | | | | | | | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | FOB | 291.78 | N/A | | | | | | | | 355.00 | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | | 291.67 | N/A | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 136.44 | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 139.59 | | | | | | | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Trois-Riv. Que. | This week | In-store | 161.80 | | 159.40 | 156.19 | | | | | | | | | | | | | | | | | |
| | Week ago | | 164.30 | | 158.30 | 157.37 | | | | | | | | | | | | | | | | | |
| St-Jean,Que. St-Hyacinthe,Que. | This week | FOB | 160.13 | 112.00 | 155.80 | (2) 136.90 | | | | | | | | | | | | | | | | | |
| | Week ago | | 162.03 | 113.33 | 155.37 | (2) 134.54 | | | | | | | | | | | | | | | | | |
| Quebec Que. | This week | In-store | 159.80 | | 159.47 | 155.41 | FOB | 303.17 | | | | | | | | | | | | | | | |
| | Week ago | | 161.13 | | 159.07 | 156.32 | | 301.81 | | | | | | | | | | | | | | | |
| Truro | This week | Track | 188.29 | 189.29 | 182.57 | 184.02 | FOB | 328.54 | 249.53 | | 345.50 | | 385.00 | | | | 419.00 | | | | | | |
| | Week ago | | 184.52 | 189.29 | 182.87 | 183.67 | | 327.93 | 248.05 | | 345.50 | | 385.00 | | | | 419.00 | | | | | | |
| Truro N.S. | This week | Water | 179.20 | N/A | N/A | N/A | | | | | | | | | | | | | | | | | |
| | Week ago | & Truck | 180.50 | N/A | N/A | N/A | | | | | | | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | 172.29 | N/A | N/A | N/A | FOB | | | | | | | | | | | | | | | | |
| | Week ago | | 171.50 | N/A | N/A | N/A | | | | | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard Tel: (514) 283-3815 (486) Fax: (514) 283-2754
N/A = not available US \$1.00=Cdn \$1.5508 as of March 12, 2001

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

of Monday March 26, 2001

[illegible]

Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Source: Economic and Industry Analysis Division, Market Research
N/A – not available US \$1.00=Cdn \$1.5547 as of March 26, 2001

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No. 1 Feed Oats, No. 1 Canada Yellow Corn, No. 3 US Yellow Corn, not available, CO yellow Canadian barley, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein. Each mesh, whole fish, and herring meal. Annual fat may contain varied % of restaurant grease.

(3) U.S. Coast Guard (USCG) (4) U.S. Coast Guard (USCG) (5) U.S. Coast Guard (USCG) (6) U.S. Coast Guard (USCG) (7) U.S. Coast Guard (USCG)

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday March 26, 2001

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-----------------------------|--------------------------|---------------|---------------|---------------|----|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 132.50 | 131.00 | | 130.60 | 130.00 |
| | | OATS | 114.81 | 114.81 | | N/A | N/A |
| | | BARLEY | 123.10 | 124.50 | | 120.50 | 112.10 |
| To: Bayports, Ont. | In-store | WHEAT | 161.62 | 160.12 | 1. | 157.71 | 159.12 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 157.14 | 158.54 | 1. | 152.24 | 146.14 |
| Montreal, Que. | In-store | WHEAT | 166.69 | 165.19 | 1. | 162.68 | 164.19 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 163.44 | 164.84 | 1. | 158.15 | 152.44 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 189.06 | 187.56 | | 185.08 | 186.56 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 188.91 | 190.31 | | 183.92 | 177.91 |
| Truro, N.S. | Truck via Halifax | WHEAT | 186.56 | 185.06 | | 182.58 | 184.06 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 184.03 | 185.43 | | 179.04 | 173.03 |
| Halifax, N.S. | In-store | WHEAT | 173.89 | 172.39 | 1. | 169.91 | 171.39 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 170.36 | 171.76 | 1. | 165.36 | 159.36 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 227.43 | 225.93 | | 225.53 | 224.93 |
| | | OATS | 221.01 | 221.01 | | N/A | N/A |
| | | BARLEY | 230.24 | 231.64 | | 227.64 | 219.24 |
| From: Melfort, Sask. | FOB | WHEAT | 124.50 | 123.00 | | 115.60 | 114.10 |
| | | OATS | 97.70 | 97.70 | | 95.63 | 108.00 |
| | | BARLEY | 119.10 | 120.50 | | 111.60 | 101.10 |
| To: Bayports, Ont. | Track | WHEAT | 180.62 | 179.12 | | 171.72 | 170.22 |
| | | OATS | 156.57 | 156.57 | | 154.50 | 166.87 |
| | | BARLEY | 172.49 | 173.89 | | 164.99 | 154.49 |
| Montreal, Que. | Track | WHEAT | 181.37 | 179.87 | | 172.47 | 170.97 |
| | | OATS | 157.47 | 157.47 | | 155.40 | 167.77 |
| | | BARLEY | 173.31 | 174.71 | | 165.81 | 155.31 |
| Moncton, N.B. | Track | WHEAT | 202.55 | 201.05 | | 193.65 | 192.15 |
| | | OATS | 180.81 | 180.81 | | 178.74 | 191.11 |
| | | BARLEY | 185.42 | 186.82 | | 177.92 | 167.42 |
| Truro, N.S. | Track | WHEAT | 202.72 | 201.22 | | 193.82 | 192.32 |
| | | OATS | 181.78 | 181.78 | | 179.71 | 192.08 |
| | | BARLEY | 199.04 | 200.44 | | 191.54 | 181.04 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 246.06 | 244.56 | | 237.16 | 235.66 |
| | | OATS | 229.16 | 229.16 | | 227.09 | 239.46 |
| | | BARLEY | 247.33 | 248.73 | | 239.83 | 229.33 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|------------------------|--|---------------|---------------|----|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 125.80 | 126.16 | | 123.62 | 130.33 |
| To: Montreal, Que. (US Corn) | In-store | | 151.34 | 151.70 | 1. | N/A | 155.87 |
| From: Saginaw (Mi) | Track | | 113.47 | 113.82 | | 117.57 | 121.68 |
| To: Montreal, Que. (US Corn) | Track | | 141.01 | 141.36 | | 145.11 | 149.22 |
| From: Chatham | Track | | 133.46 | 133.65 | | N/A | 124.80 |
| To: Montreal, Que. | Track | | 156.35 | 156.54 | | 156.05 | 147.69 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|--------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 288.91 | 282.52 | | 295.09 | 283.40 |
| To: Montreal, Que. | Track | | 311.38 | 304.99 | | 317.56 | 305.87 |
| Moncton, N.B. | Track | | 328.69 | 322.30 | | 334.87 | 323.18 |
| Truro, N.S. | Track | | 331.66 | 325.27 | | 337.84 | 326.15 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 380.92 | 374.53 | | 387.10 | 375.41 |

1. Prices include four month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Bi-weekly Bulletin

Government
Publications

April 12, 2001

Vol. 14 No. 6

TURKEY

The Republic of Turkey is the largest wheat producing country in the Middle East and the third largest producer of durum in the world. The Turkish government strongly supports the agricultural industry through a variety of agencies and policies aimed to promote production and encourage value added exports. Canadian exports of special crops, particularly lentils, have increased. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Canada's exports of grains and special crops to Turkey.



ECONOMY

Historically, the agriculture sector has been Turkey's largest employer and a major contributor to the country's Gross Domestic Product (GDP), exports and industrial growth. There are about 4.5 million farms in Turkey, characterized by many producers with small and fragmented land ownership. This situation is due to a combination of inheritance law and the reluctance of the rural population to sell inherited land.

Over the past 20 years, a series of policy changes have occurred in Turkey. These changes were aimed at moving the Turkish economy away from strategies of industrialization based on government control and import substitution towards strategies of economic growth based on an expanded role for free market operations and the private sector. Reform has centered on removing structural impediments in order to promote more open markets, mainly through deregulation, increased privatization and liberalization of trade.

Since its initial reform in the early 1980s, Turkey has made significant improvements in opening up its borders to imports and reducing controls on exports. Turkey has improved its trade policies with those of the European Union (EU) and the European Free Trade Association and has entered into new regional trading arrangements. As a result of economic reforms, the Turkish economy has experienced an average annual growth rate of almost 5% over the past 20 years, a record among Organization for Economic Co-Operation and Development (OECD) countries. Economic growth in Turkey, which fell in 1999 due to spillover from the Asian and Russian crises, is estimated to have expanded in 2000. Turkey's entrance into international markets and the resulting increase in international competitiveness has further accelerated the industrialization process.

As of January 1, 1997, the date of the entry into Customs Union with the EU, Turkey has eliminated all custom duties and charges having equivalent effect on imports of industrial products from the EU. The bilateral trade agreement initially covered only processed agricultural products

grain, oilseeds, dairy, and beef. In return, Turkey received concessions on trade in tomato paste, citrus fruit and vegetables. The Customs Union gives Turkey improved access to the countries within the EU. It guarantees the free circulation of industrial goods and processed agricultural products.

AGRICULTURAL POLICY DEVELOPMENT

Turkey's proximity to Europe, the Middle East, and North Africa gives it access to large markets via the Black, Aegean, and Mediterranean Seas. In addition, Turkey's domestic market, which is characterized by high population growth rates and increasing incomes, is expected to experience an increase in demand for more grains and oilseeds of higher quality. The principal objectives of the Turkish agricultural policy are set out in successive five year development plans. These are to stabilize grain prices, to meet the nutritional needs of the growing population, to increase yields and production, to reduce the vulnerability of production to weather conditions, to promote the application of modern agricultural techniques and to develop the export potential of Turkish grains and grain products.

These objectives are primarily achieved through a complex set of price supports for commodities, with domestic prices supported by intervention purchases. These initiatives are complemented by trade related measures, subsidies for farm inputs and investments in infrastructure. The measures are carried out by numerous government agencies who oversee

TURKEY: ECONOMIC STATISTICS

| | 1996 | 1997 | 1998 | 1999 | 2000e |
|-------------------------------|------|------|------|------|-------|
| Population (million) | 62.3 | 63.4 | 64.5 | 65.5 | 67.4 |
| GNP* (US\$ billion) | 184 | 194 | 205 | 187 | 190 |
| Inflation rate (%) | 78 | 99 | 70 | 75 | 55 |
| Exchange rate (000 lira/US\$) | 78 | 141 | 252 | 415 | 615 |

Land area: 77 million hectares
Arable land: 24.3 million hectares

* Base year 1992=100

e: estimate, AAFC, April 2001

Source: FAO, IMF, AAFC

containing cereals, sugar and milk along with industrial products. However, on April 25, 1997, Turkey and the EU agreed to liberalize trade in agriculture. The results of those negotiations, provided the EU with substantial trade concessions on



Agriculture and Agri-Food Canada
Agriculture et Agroalimentaire Canada

JUN 6 2001

Canada

agricultural policy. The main agencies are: the State Economic Enterprises (SEE), Agricultural Sales Cooperative Unions (ASCU), and state owned banks. These institutions oversee the agri-food industry including inputs to production, determination of price support levels, subsidy distribution and regulating net export activity.

The SEEs are involved mainly in agricultural marketing. The largest is the Turkish Grain Board, Toprak Mahsullei Ofisi (TMO), which oversees grains and pulses.

GRAIN POLICY

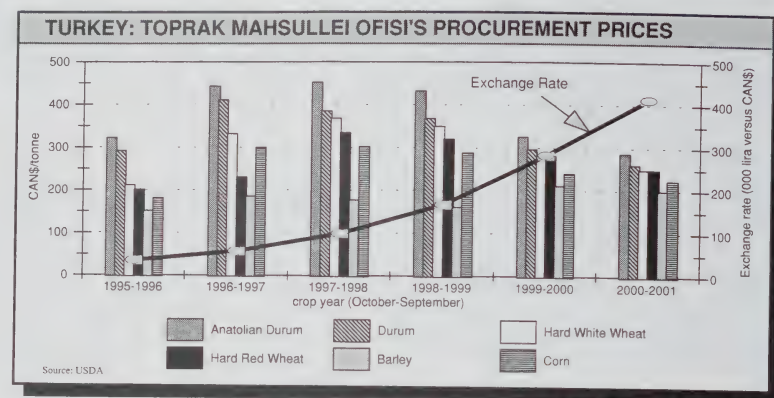
In December 1999, the EU accepted Turkey as an official candidate for full membership into the EU. The EU announced a list of political and economic obligations of membership Turkey must meet before it can become a full member of the EU.

The conditions that must be met under agriculture include: 1) increasing production through sustainable agriculture; 2) phasing out existing support policies and replacing them with a direct income support system targeted to low-income farmers; 3) establishing a land register system; 4) upgrading food inspection and control mechanisms; and 5) establishing a clear strategy for phytosanitary conditions.

As part of its free market strategy, the Turkish government is reducing its role in agricultural marketing by privatizing its SEEs and processing plants. The TMO continues to be an active government based agency, but its role has evolved to allow for more private sector involvement. Value added processing continues to be encouraged by the government through various import licences and initiatives.

The TMO is the main government body responsible for the regulation of the grains industry. The agency purchases surplus crop production (about 15-30% annually) with the objective of maintaining domestic stock levels. It also supports and regulates domestic grain prices.

Turkish producers are able to sell their grain to the TMO, at a specified price, or to the private sector. For the grain that is not sold privately, usually due to its low milling quality, the TMO will act as the



residual purchaser. The TMO will try to export the grain on the world market, usually at low prices, due to the limited storage capacity in Turkey.

The role of the TMO in the domestic market is limited. The purchase or procurement price it offers is set at the domestic price support level which are announced by the Ministry of Agriculture at the beginning of each marketing year (late May-early June) and are usually revised over the course of the year. In real terms, the prices which the TMO will pay producers are lower than the announced prices because of the effects of devaluation on the Turkish lira. Turkey has a high inflation rate, so to counteract this, the TMO increased its support price for grains by semi-monthly payments from July-October. In most years, domestic prices have been above the government support prices, and therefore, the majority of Turkish wheat is sold directly to domestic merchants and millers and not the TMO.

Wheat support prices are based on the Anatolian Hard Red Wheat, since this is the type most commonly produced. It is similar to United States (U.S.) Hard Red Winter wheat. The TMO has gradually reduced the procurement prices in the last few years at the request of the International Monetary Fund (IMF) and as part of the conditions Turkey must meet as a potential member of the EU.

Privatization has gradually reduced the role of the TMO in grain marketing. In the past, the TMO was active in regulating grain import and export activity through restrictive import and export licences and levies, which were applied to the private sector and from which the TMO was exempt. As part of government reforms, the level of intervention by the TMO has gradually been

reduced, but the system remains in place for use by the TMO if deemed necessary.

The domestic market is protected by import duties on milling wheat which were raised from 15% in 1997 to 55% in 1999, where it has remained. The EU Customs Union Agreement includes a tariff rate quota for duty free imports of 0.2 Mt for milling wheat.

WHEAT AND SEMOLINA MILLING

The Turkish milling industry has consolidated rapidly and has become more sophisticated to meet changing domestic needs and world export challenges. The Turkish domestic wheat crop is generally low in protein and millers rely heavily on imports of high protein wheat to blend with domestic wheat. Although the quality problem often makes it difficult for Turkey to export wheat, it is the world's fifth largest flour exporter. There are over 720 privately owned flour and semolina mills in Turkey, with an annual milling capacity of about 25 million tonnes (Mt).

SITUATION AND OUTLOOK

Wheat

For 2000-2001, all wheat production increased to 17.5 Mt, up 6% from 1999-2000, due to a 5% increase in yields to 2.0 tonnes per hectare (t/ha), related to excellent weather conditions. As a result, imports are expected to decrease to 0.9 Mt from 1.5 Mt in 1999-2000. Competition from the EU and Argentina is expected to limit imports from the U.S. to 0.1 Mt and from Canada to 0.08 Mt.

Currently, per capita consumption of wheat in Turkey is one of the world's largest - averaging about 260 kilograms (kg) per

annum versus 90 kg in North America. For 2000-2001, consumption is forecast by USDA to increase. An increase in consumption to 265 kg per capita would require an additional 0.5 Mt of wheat. About 85% of all wheat consumed annually is used to make bread and 7% to make pasta.

For 2000-2001, Turkey is expected to produce about 12 Mt of flour and semolina, and export 1.0 Mt of wheat flour and semolina, up 5% from 1999-2000. The Commonwealth of Independent States (C.I.S.), North African, and Middle Eastern markets are the major buyers of Turkish flour and semolina. Bread production is about 12 Mt and annual pasta production is about 0.6 Mt.

Turkey's major buyers of pasta products are C.I.S., the Middle East, and the EU.

For 2001-2002, a very dry winter, especially in Anatolia, the main wheat growing area, located in west central Turkey, is forecast to result in a decrease in yields. All wheat production is forecast to decrease by 5% to 16.6 Mt causing imports to increase. There has not been significant snow cover, which has made the wheat crop susceptible to cold, dry conditions. Canada's share of the Turkish wheat market is expected to be similar to 2000-2001. Millers in Turkey are attracted to the high protein and quality of Canada Western Red Spring (CWRS) wheat, which is blended to improve domestic flour quality.

In the early 1990s, Turkey imported an average of about 20,000 tonnes (t) of Canadian durum. For 2000-2001, Turkish durum imports are forecast to be the same as 1999-2000, at 20,000 t, mainly from the U.S. Canada is not expected to export any durum to Turkey.

For 2001-2002, durum production is forecast to decrease slightly from 2000-2001. Turkish durum exports are expected to decrease in 2001-2002, due to lower world durum demand.

Barley

Turkey is the fifth largest barley producer in the world. Barley is the most important feed grain in the country, as about 90% is used for feed. For 2000-2001, barley production, consisting mainly of 2-row varieties, increased by 12% to 7.4 Mt. Consumption increased marginally in 2000-2001. Barley imports are forecast to increase to 0.1 Mt, largely from the EU, for the domestic beer industry. Imports of barley are constrained by an 85% import duty. The majority of Turkish barley imports are from France and the Ukraine. Turkish malting barley consumption is not expected to increase as per capita beer consumption in Turkey is only 10 litres (L) compared to 90 L in North America. In recent years barley exports have decreased, due to poor quality and increasing demand from the domestic livestock industry. For 2000-2001, barley exports are forecast at 0.5 Mt, near the 5-year average of 0.6 Mt. The majority of Turkish feed barley exports are destined for Saudi Arabia, Northern Cyprus, Syria, and Morocco. The government continues to expand dairy, beef and poultry operations and is expected to maintain strict policies on beef imports to ensure rising beef demand is supplied by domestic feed grains. However, animal nutrition in Turkey is poor and feed industries are expected to improve feed rations which will probably mean higher usage of imported corn and soymeal.

For 2001-2002, barley production is forecast to decrease due to the dry weather conditions. Turkish barley consumption is expected to remain strong and therefore, exports are expected to decrease.

Corn

For 2000-2001, corn production increased to 2.1 Mt from 1999-2000 due to higher yields. The Cukurova region, located in

TURKEY: CROPS

| October-September crop year ^{1/} | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002f |
|--|---------------|---------------|---------------|----------------|
|thousand tonnes..... | | | | |
| All Wheat ^{2/} | | | | |
| Production | 18,000 | 16,500 | 17,500 | 16,600 |
| Consumption ^{3/} | 16,886 | 16,777 | 17,300 | 17,500 |
| Imports | 1,862 | 1,455 | 900 | 1,500 |
| Exports ^{4/} | 2,803 | 1,984 | 1,500 | 700 |
| Durum | | | | |
| Production | 4,000 | 3,800 | 4,000 | 3,900 |
| Consumption ^{3/} | 3,788 | 3,175 | 3,420 | 3,520 |
| Imports | 13 | 25 | 20 | 20 |
| Exports ^{4/} | 225 | 650 | 600 | 400 |
| Barley | | | | |
| Production | 7,500 | 6,600 | 7,400 | 6,600 |
| Consumption | 6,790 | 6,763 | 7,200 | 6,900 |
| Imports | 140 | 100 | 100 | 100 |
| Exports | 743 | 181 | 400 | 100 |
| Corn | | | | |
| Production | 2,300 | 2,000 | 2,100 | 2,100 |
| Consumption | 3,200 | 3,200 | 3,000 | 3,200 |
| Imports | 887 | 1,250 | 1,000 | 1,200 |
| Soybeans | | | | |
| Production | 60 | 60 | 40 | 55 |
| Consumption | 372 | 363 | 370 | 400 |
| Imports | 335 | 315 | 330 | 350 |
| Lentils | | | | |
| Production | 540 | 380 | 380 | 380 |
| Consumption | 430 | 380 | 384 | 388 |
| Imports | 70 | 118 | 110 | 110 |
| Exports | 185 | 93 | 80 | 80 |
| Chick Peas | | | | |
| Production | 625 | 560 | 540 | 540 |
| Consumption | 480 | 480 | 484 | 488 |
| Imports | 23 | 10 | 10 | 12 |
| Exports | 158 | 85 | 60 | 60 |

^{1/} Except wheat (July-June) and soybeans (November-October)

^{2/} Includes durum

^{3/} Includes stock changes

^{4/} Includes products

f: forecast, Agriculture and Agri-Food Canada, April 2001

Source: USDA, IGC, AAFIC

Durum

For 2000-2001, durum production increased to 4.0 Mt, up 5% from 1999-2000. Area seeded to durum increased due to normal growing conditions. The higher returns compared to other crops, and the limited number of crops that can be grown in the durum region have supported durum area.

Smaller scale farms located in Anatolia have consistently produced a higher quality durum, which is reflected in the current TMO procurement premium of CAN\$26 per tonne (/t) over durum grown in the south and south-eastern part of the country. In the late 1980s, large amounts of durum were used to make bread, not pasta.

For 2000-2001, Turkish durum exports are expected to decline to 0.6 Mt, down 8% from 1999-2000, but remain above the 5-year average of 0.3 Mt. Durum imports have decreased from an average of about 100,000 t in the mid-1990s due to an increase in the durum duty from 15% in 1997 to 50% in

GUNEYDOGU ANADOLU PROJESI (GAP)

In 1976, Turkey began development of the US\$32 billion Southeastern Anatolia Project, or the GAP, one of the biggest regional development projects in the world. The integrated, multi-sectoral project includes the construction of 22 dams and 19 hydroelectric power plants on the Euphrates and Tigris rivers. Upon completion, the project is expected to irrigate 1.7 million hectares of land and generate 27 billion kilowatts of electricity, about 20% of current requirements. The increased irrigation capacity is expected to enable Turkey to become one of the leading producers of grains, oilseeds, and vegetables.

The centerpiece of the GAP, the Ataturk Dam, completed in 1993, irrigates, as of 1999, about 200,000 hectares of land, mostly in the Harran plain in southeastern Turkey, and has produced record incomes for farmers. The majority of this land (80%) was seeded to cotton due to its high return value, followed by corn (10%) and vegetables (10%). Turkish government officials have stated that the average income of local producers has increased by a factor of three.

Recently, however, foreign investment in the GAP has decreased due to concerns over flooding of villages and destruction of archeological sites. Arguments over compensation and displacement of people, resulted in the government's announcement that all remaining funding will come from the government of Turkey. Disputes over this project have yet to be settled, although construction continues.

The expected competition date, which was initially 2005, is likely to be delayed until 2008.

the southern part of Turkey accounts for about 50% of Turkey's corn production where two corn crops can be harvested annually. For 2000-2001, Turkish corn imports are mainly from the U.S., Bulgaria, and Romania. The 50% import duty was lowered on February 16, 2001, to 25% after the TMO exhausted its stocks.

For 2001-2002, corn production is forecast to remain unchanged from 2000-2001, while consumption is expected to return to average levels of 3.2 Mt due to expansion of dairy and beef production, and continuing expansion of corn starch and high fructose corn syrup production.

Pulse Crops

For 2000-2001, production and consumption of lentils remained similar to 1999-2000 at 0.38 Mt. Red lentils are primarily grown in the southeastern area of Turkey and green lentils are grown primarily in the north central area. Chickpeas are mainly grown in central Turkey. In recent years, per capita consumption of lentils and chickpeas has

decreased slightly due to high prices and continued migration of younger people from rural to urban areas. These pulses are the affordable protein choice for the rural population and low-income urbanites.

Turkey's total imports of lentils have been trending upward, with imports forecast at about 0.11 Mt in 2000-2001. As Canada is the major source for Turkish imports, Canadian exports are expected to increase from 87,000 t to 100,000 t in 2000-2001. Canadian lentils are imported to the cities of Mersin and Gaziantep, and then re-exported for human consumption to customers in the Middle East, Indian subcontinent, and North Africa.

For 2000-2001, **chickpea** consumption and total imports are forecast to be similar to 1999-2000, at 484,000 t and 10,000 t, respectively, with Canadian exports of chickpeas increasing to 5,000 t. Turkish chickpea exports are expected to decline to 60,000 t in 2000-2001. The current import duty on chickpeas and lentils is 21%. The TMO has not procured any chickpeas or lentils since 1994.

lentils to Turkey are expected to remain stable, while chickpea exports are forecast to increase due to a continuing shift to Canada as a major supplier. Exports of both dry peas and dry beans are also expected to increase.

For more information please contact:

Bobby Morgan,
Market Analyst
Phone: (204) 984-0680
E-mail: morganb@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

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Market Analysis Division,
Strategic Policy Branch,
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500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524
Editor: Gordon MacMichael
E-mail: macmichaelg@em.agr.ca

Director: Maggie Liu
Chief: Fred Oleson

To receive a free e-mail subscription to the Bi-weekly Bulletin, please contact Blair Cantafio at cantafio@em.agr.ca

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CANADA: EXPORTS TO TURKEY

| August-July crop year | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001f | 2001 -2002f |
|--------------------------|----------------------------|---------------|---------------|----------------|----------------|
| | thousand tonnes..... | | | | |
| Lentils | 15 | 15 | 87 | 100 | 100 |
| Wheat | 216 | 56 | 77 | 75 | 80 |
| Chickpeas | 0 | 0 | 3 | 5 | 8 |
| Dry Beans | 1 | 1 | 4 | 4 | 5 |
| Dry Peas | 1 | 1 | 1 | 2 | 3 |

f: forecast, AAFC, April 2001

Source: Statistics Canada, Canadian Grain Commission

In addition to lentil and chickpea exports, Canadian **dry pea** exports to Turkey averaged about 1,000 t per year during the last 5 years, while **dry bean** exports averaged about 2,000 t per year.

For 2001-2002, total Canadian exports of

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | | As of Monday April 9, 2001 | | | | | | | | | |
|--|------------------|-------------|--------|--------|--------|------------|-------------|------------------|-------------|-------------|-----------|------------|------------|-------------|-----------|--------------|--------------|----------------------------|--|--|--|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL. FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | | | | | | | | | | |
| Vancouver B.C. | This week | FOB | 143.16 | N/A | 144.66 | 168.00 | | 316.50 | (7) 235.00 | 117.00 | 315.00 | (4) 800.00 | 355.00 | | | | 445.00 | | | | | | | | | | |
| | Week ago | | 142.66 | N/A | 144.16 | 168.00 | | 309.00 | (7) 223.50 | 119.00 | 315.00 | (4) 800.00 | 355.00 | | | | 455.00 | | | | | | | | | | |
| Calgary | This week | FOB | 120.00 | 105.00 | 121.50 | 156.00 | | 313.00 | 179.00 | | 270.00 | (4) 850.00 | 400.00 | | | | 445.00 | | | | | | | | | | |
| Alta | Week ago | | 119.50 | 105.00 | 121.00 | 155.00 | | 303.00 | 179.00 | | 270.00 | (4) 850.00 | 400.00 | | | | 455.00 | | | | | | | | | | |
| Saskatoon | This week | FOB | 125.50 | 114.00 | 113.00 | 137.00 | | 303.50 | 220.00 | | 270.00 | (4) N/A | 400.00 | | 157.33 | | 445.00 | | | | | | | | | | |
| Sask. | Week ago | | 123.50 | 112.00 | 109.00 | 136.00 | | 293.75 | 206.00 | | 270.00 | (4) N/A | 400.00 | | 153.33 | | 455.00 | | | | | | | | | | |
| Melfort | This week | FOB | 127.50 | 111.23 | 118.80 | | | | | | | | | | | | | | | | | | | | | | |
| Sask. | Week ago | | 124.90 | 98.93 | 120.50 | | | | | | | | | | | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 112.85 | 110.80 | 110.87 | 126.00 | | 287.00 | 209.50 | | 295.00 | (4) 775.00 | 420.00 | | | | 410.00 | | | | | | | | | | |
| Man. | Week ago | | 111.85 | 104.16 | 110.17 | 125.00 | | 277.25 | 196.00 | | 295.00 | (4) 775.00 | 420.00 | | | | 410.00 | | | | | | | | | | |
| Thunder Bay | This week | Track | 133.50 | 129.33 | N/A | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | 132.90 | 116.09 | N/A | | | | | | | | | | | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 128.00 | | | | | | | | | | | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 124.97 | | | | | | | | | | | | | | | | | | | | | |
| Bay Ports | This week | In-store | 156.50 | 185.00 | 165.00 | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | 156.90 | 184.00 | 164.00 | | | | | | | | | | | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 133.56 | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | 131.98 | | | | | | | | | | | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | FOB | 292.66 | N/A | | | | | | | | | | | | | | | | | | |
| Hamilton | This week | N/A | | | | | | 286.27 | N/A | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 135.55 | | | | | | | | | | | | | | | | | | | | | |
| Ontario | Week ago | | | | | 133.19 | | | | | | | | | | | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | FOB | 306.63 | 225.41 | 111.83 | 276.00 | (5) 790.00 | 259.00 | 445.00 | 118.00 | | | | | | | | | | | | |
| Que. | Week ago | In-store | 163.50 | | 158.80 | 153.63 | | 302.49 | 219.09 | 128.17 | 276.00 | (5)790.00 | 259.00 | 455.00 | 128.00 | 230.00 | 370.00 | | | | | | | | | | |
| Trois Riv. | This week | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Que. | Week ago | | 163.90 | | 159.50 | 152.85 | | | | | | | | | | | | | | | | | | | | | |
| St-Jean Que. | This week | FOB | 162.33 | 116.67 | 154.97 | (2) 137.89 | | | | | | | | | | | | | | | | | | | | | |
| St-Hyacinthe,Que. | Week ago | | 161.73 | 120.00 | 155.67 | (2) 135.13 | | | | | | | | | | | | | | | | | | | | | |
| Quebec | This week | In-store | 160.17 | | 158.80 | 153.63 | FOB | 301.66 | | | | | | | | | | | | | | | | | | | |
| Que. | Week ago | | 161.40 | | 159.33 | 150.48 | | | | | | | | | | | | | | | | | | | | | |
| Truro | This week | Track | 190.94 | 189.59 | 188.47 | 181.72 | FOB | 333.72 | 259.40 | | 314.28 | | 385.00 | | | | 406.23 | | | | | | | | | | |
| N.S. | Week ago | | 190.54 | 189.59 | 188.82 | 180.09 | | 331.63 | 250.25 | | 314.28 | | 385.00 | | | | 401.23 | | | | | | | | | | |
| Truro | This week | Water | N/A | N/A | N/A | 181.15 | | | | | | | | | | | | | | | | | | | | | |
| N.S. | Week ago | & Truck | N/A | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | | | | |
| Halifax | This week | In-store | N/A | N/A | N/A | 172.15 | FOB | | | | | | | | | | | | | | | | | | | | |
| N.S. | Week ago | | N/A | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | | | | |
| Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| N/A = not available US \$1.00=Cdn \$1.5642 as of April 09, 2001 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Footnotes: All prices in Canadian dollars, per metric tonne. Grain grades are Western or Eastern Feed Wheat , No.1 Feed Oats , No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn , No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%, Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (1) Wheat 3CWRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley | | | | | | | | | | | | | | | | | | | | | | | | | | | |

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday April 9, 2001

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| From: Thunder Bay | Track | WHEAT | 133.50 | 132.90 | 130.80 | 127.90 |
| | | OATS | 129.33 | 116.09 | 134.78 | N/A |
| | | BARLEY | N/A | N/A | 123.80 | 110.40 |
| To: Bayports, Ont. | In-store | WHEAT | 162.62 | 162.02 | 157.91 | 157.02 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | N/A | N/A | 155.54 | 144.44 |
| Montreal, Que. | In-store | WHEAT | 167.69 | 167.09 | 162.88 | 162.09 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | N/A | N/A | 161.45 | 150.74 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 190.06 | 189.46 | 185.28 | 184.46 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | N/A | N/A | 187.22 | 176.21 |
| Truro, N.S. | Truck via Halifax | WHEAT | 187.56 | 186.96 | 182.78 | 181.96 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | N/A | N/A | 182.34 | 171.33 |
| Halifax, N.S. | In-store | WHEAT | 174.89 | 174.29 | 170.11 | 169.29 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | N/A | N/A | 168.66 | 157.66 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 228.43 | 227.83 | 225.73 | 222.83 |
| | | OATS | 235.53 | 222.29 | 240.98 | N/A |
| | | BARLEY | N/A | N/A | 230.94 | 217.54 |
| From: Melfort, Sask. | FOB | WHEAT | 127.50 | 124.90 | 122.00 | 114.70 |
| | | OATS | 111.23 | 98.93 | 116.75 | 100.81 |
| | | BARLEY | 118.80 | 120.50 | 120.40 | 100.40 |
| To: Bayports, Ont. | Track | WHEAT | 183.62 | 181.02 | 178.12 | 170.82 |
| | | OATS | 170.10 | 157.80 | 175.62 | 159.68 |
| | | BARLEY | 172.19 | 173.89 | 173.79 | 153.79 |
| Montreal, Que. | Track | WHEAT | 184.37 | 181.77 | 178.87 | 171.57 |
| | | OATS | 171.00 | 158.70 | 176.52 | 160.58 |
| | | BARLEY | 173.01 | 174.71 | 174.61 | 154.61 |
| Moncton, N.B. | Track | WHEAT | 205.55 | 202.95 | 200.05 | 192.75 |
| | | OATS | 194.34 | 182.04 | 199.86 | 183.92 |
| | | BARLEY | 185.12 | 186.82 | 186.72 | 166.72 |
| Truro, N.S. | Track | WHEAT | 205.72 | 203.12 | 200.22 | 192.92 |
| | | OATS | 195.31 | 183.01 | 200.83 | 184.89 |
| | | BARLEY | 198.74 | 200.44 | 200.34 | 180.34 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 249.06 | 246.46 | 243.56 | 236.26 |
| | | OATS | 242.69 | 230.39 | 248.21 | 232.27 |
| | | BARLEY | 247.03 | 248.73 | 248.63 | 228.63 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|---------------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 128.00 | 124.97 | 126.94 | 127.52 |
| To: Montreal, Que. (US Corn) | In-store | | 153.54 | 150.51 | 150.27 | 153.06 |
| From: Saginaw (Mi) | Track | | 119.40 | 112.55 | 119.93 | 120.64 |
| To: Montreal, Que. (US Corn) | Track | | 146.94 | 140.09 | 147.47 | 148.18 |
| From: Chatham | Track | | 133.56 | 131.98 | 136.51 | 122.14 |
| To: Montreal, Que. | Track | | 156.45 | 154.87 | 159.40 | 145.03 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|---------------|---------------|
| From: Hamilton, Ont. | | | 292.66 | 286.27 | 291.78 | 279.87 |
| To: Montreal, Que. | Track | | 315.13 | 308.74 | 314.25 | 302.34 |
| Moncton, N.B. | Track | | 332.44 | 326.05 | 331.56 | 319.65 |
| Truro, N.S. | Track | | 335.41 | 329.02 | 334.53 | 322.62 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 384.67 | 378.28 | 383.79 | 371.88 |

1. Prices include four month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



April 27, 2001

Vol. 14 No. 7

FORAGE

Canadian forages are produced all across agricultural regions of Canada. In 2000, over 23 million tonnes (Mt) of tame hay was produced on almost 7 million hectares (Mha) of land. In addition to the tame hay area, approximately 4 Mha of land were used as tame pasture, and another 15 Mha were native pasture. In total, almost 40% of Canada's total farm area is set aside for grazing and growing forage crops. Since the beginning of hay exports to the United States (U.S.) nearly a half-century ago, Canada's reputation as a premier supplier of forages has continued to grow around the world. While processed alfalfa products production has fallen in recent years, the value of exports of alfalfa and hay in 2000, grew 18% from 1999 to \$152.8 million. The increasing popularity of the double compressed bale format has permitted the growth of hay exports to many other parts of the world.

FORAGE CROPS

Forage is feed for livestock, including cattle, sheep and horses. Forages include both annual and perennial crops. Annual crops, such as cereals, peas, and corn are sown early in the spring and harvested from July to September, usually as silage. Perennial crops of grasses and legumes are sown alone, or with a companion crop and are typically harvested for four to eight years. These perennial crops are grown for pasture, harvested as green-feed, stored as hay or silage, processed into pellets or cubes, or compressed for domestic and/or export markets.

FORAGE INDUSTRY

The forage industry in Canada is not homogeneous. The industry is actually comprised of several distinct sectors based on the end use of the forage crop. Many of the same forage species and varieties are used as amenity or turf species, for soil conservation, seed production for domestic and export uses, forage production for dehydration and other processes, and for grazing and stored feed for ruminant livestock. The latter is by far the largest sector of the industry and utilizes more than 80% of the total forage produced.

LAND USE IN CANADA

Across Canada, more than 26 Mha are set aside annually for ruminant grazing and forage production. Of this, about 16 Mha are native pasture, 4 Mha are tame or seeded pasture, and 6 Mha are cultivated tame hay and fodder crops.

AREA SEEDED TO TAME HAY

In 2000, 6.72 Mha of tame hay were harvested, with 4.8 Mha from western Canada and 1.9 Mha in eastern Canada. The tame hay harvested area has remained fairly steady throughout the 1990s, peaking at 6.9 Mha in 1994.

While there is no annual data available for tame hay production by species, the 1996 Statistics Canada census data reveals that approximately 67% of tame hay in western Canada and 40% in eastern Canada was alfalfa, or an alfalfa mixture.

FARM CASH RECEIPTS

Farm cash receipts for hay reached \$163.7 million in 1999, more than 2 times the value of receipts obtained in 1991. As very little hay moves through traditional marketing

channels, the farm cash receipt total greatly underestimates the value of hay in the agricultural industry.

TYPES OF TAME HAY

Tame hay can be divided into two classes, legumes and grasses. Within each class are numerous species. The main legume hay crops produced in Canada are alfalfa, clover, and birdsfoot trefoil, while the main grass crops include timothy and brome grass. Forages for export are comprised of three main types: alfalfa, timothy hay, and mixed hays. Mixed hays can be comprised of any types of legumes or grasses, but common mixtures include alfalfa, timothy, and orchard grass or timothy, clover, and orchard grass.

Factors such as soil type, salinity, flooding, desired season of use, crop

CANADA: USE OF FARMLAND

| | 1991 | 1996 |
|-----------------------------------|------------------|-------|
| | million hectares | |
| Land in Crops (excludes tame hay) | 27.67 | 28.53 |
| Tame Hay | 5.85 | 6.39 |
| Summerfallow | 7.92 | 6.26 |
| Seeded or Tame Pasture | 4.14 | 4.35 |
| Unseeded Pasture | 15.96 | 15.61 |

Source: Statistics Canada



rotations, longevity of species, end-use, quality, and yield potential should be considered when selecting an appropriate forage species.

AGRONOMY

Perennial forages are key agents in soil conservation and soil improvement. They add more organic matter to the soil than most annual crops, as forage crops reduce cultivation and provide a permanent ground cover, reducing erosion. For these reasons, perennial forages are particularly well suited to marginal lands, sloped lands, waterways, and erosion-prone soils. Forages can also be used to control salinity, suppress weeds and disrupt plant disease cycles.

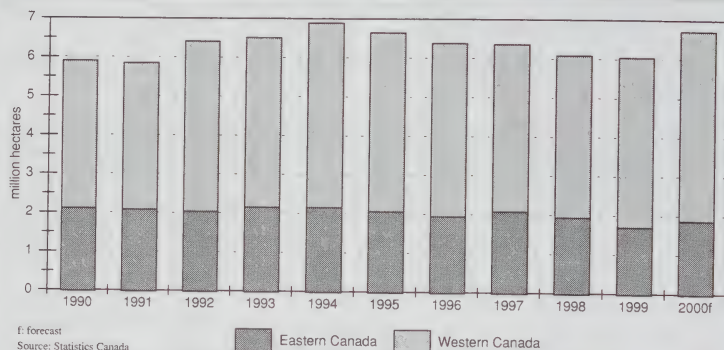
Because of their ability to contribute nitrogen to the soil, forage legumes, such as alfalfa, significantly reduce reliance on non-renewable energy to produce nitrogen fertilizer.

PRIMARY PROCESSING OR HARVESTING

Forages in Canada are harvested from May through October, depending on the region and the species being harvested. Typically, forage crops intended for on-farm feeding are cut and allowed to field dry under natural sunlight and wind conditions. Then the hay will be baled for easier transportation and storage. Forage crops can also be harvested at a higher moisture content to be stored as silage, or to be further processed.

For export-destined hay, some processors use dehydration drums to dry the long fibre forage for processing and to eliminate the weather risk associated with field drying. There is approximately 150,000 tonnes (t) of dehydration capacity in Saskatchewan, 250,000 t in Alberta, and another 325,000 t elsewhere in Canada. The hay is then baled and stacked under a protective cover, usually a shed or tarpaulin covering. The hay is allowed to go through another curing period in storage. During this time, it will finish curing and then be available for export.

CANADA: TAME HAY HARVESTED AREA



FORAGE QUALITY

The climate and soils of western Canada are ideal for producing quality forage. Untimely rain and other challenges can however substantially reduce forage quality. Good management of the soil nutrient composition, seeding rates, the timing of cutting, raking and baling, and storage decisions all affect the quality of the harvested hay.

Buyers and sellers of tame hay should share the same definition of quality, which requires a feed test covering visual and chemical analysis. Through a visual appraisal, the hay is checked for mould, heat damage and leaf retention. Chemical feed analysis provides valuable nutrient information. A basic test measures moisture content, crude protein and the presence of minerals such as calcium, phosphorus, potassium and magnesium. A more detailed test looks at the **Relative Feed Value (RFV)**, a numerical indicator of forage quality, based on a combination of acid detergent fibre (ADF) and neutral detergent fibre (NDF).

One of the most important factors affecting forage quality is the state of maturity at cutting. Young, vegetative forage is higher in protein and energy than older, flowering material. Considerable management experience is required to find the optimal harvesting time, to maximize both quality and quantity of forage stands.

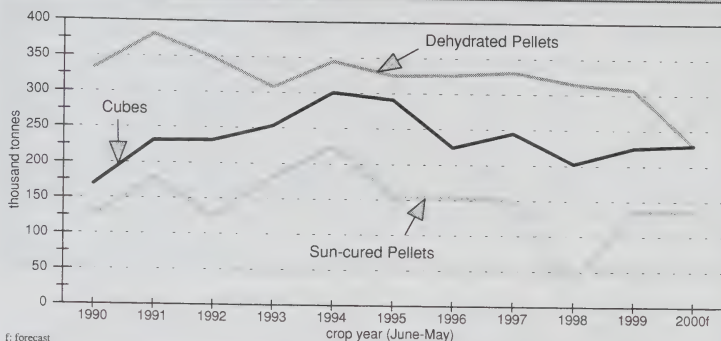
MARKETING

While over 23 Mt of tame hay were harvested in 2000, most of the crop was destined for feeding on farms. Approximately 80% of the hay does not enter any formal marketing channels. Tame hay provides much needed fibre to dairy cattle, beef cattle, horses, sheep and goats, and many livestock producers grow tame hay as a valuable part of their on-farm integrated value-added chain.

The buying and selling of hay between producers and livestock feeders often happens through auctions. With the advent of the Internet, these auction exchanges have gone online. The Hay Exchange (www.hayexchange.com) offers a bulletin board approach for sellers to post notices of hay for sale. Each ad stipulates species, price, type of bale, delivery options, and if available, quality information such as the RFV. In addition to the Hay Exchange, the provincial governments of Alberta, Saskatchewan, and Manitoba provide similar hay listing services.

For hay intended for further processing, the processor works with the individual producers through a procurement team or a hay buyer. The hay buyer will maintain frequent contact with the grower throughout the year to ensure the grower has the latest information on buyer preferences and to provide feedback to the grower on the performance of their hay in the export market.

CANADA: PROCESSED ALFALFA PRODUCTION



f: forecast
Source: Alberta Agriculture, Food and Rural Development

Saskatchewan is currently about \$80/t, it is easy to appreciate the impact of transportation costs on exporting hay and its products.

PROCESSED FORAGE PRODUCTS

The processed forage industry can be divided into two main sectors: processed alfalfa products and compressed hay products. Alfalfa products include dehydrated and sun-cured pellets and alfalfa cubes, which are all made from alfalfa. The compressed hay industry produces compressed hay, which is a product of either timothy hay, or an alfalfa mixture.

PRICE DETERMINATION

The tame hay market is less structured than many commodity markets. With so many varieties of hays and grasses, and so many quality parameters to consider, each cut of hay must be priced individually. For sales between individuals, a hay listing service such as The Hay Exchange, or open out-cry auctions provide a forum for pricing. In the processed products market, the price the processor receives is largely dependent upon the demand from Japan, as Japan is the main importer of tame hay, densified hay, and alfalfa pellets.

\$225/t for pellets in August of 2000.

HANDLING AND TRANSPORTATION

The baling of cut hay results in low density, bulky objects, which impede transportation over long distances. In 1995, the Western Grain Transportation Act (WGTA) was repealed and the rail transportation subsidy for agricultural commodities was removed as of the 1995-1996 crop year. This increased the shipping cost of all commodities, but particularly affected hay product shipments due to the low weight to volume and value to volume ratios.

In turn, processors typically work closely with a group of growers, and a relationship and pricing strategy will be formed over the four or five years that the crop is harvested. According to the annual survey of the Canadian Processed Forage Industry, by Alberta Agriculture, Food and Rural Development (AAFRD), average paying prices for 1999-2000 were \$105 per tonne (/t) green standing timothy, \$129/t baled timothy, \$80/t green standing alfalfa, and \$116/t for baled alfalfa hay.

When transporting forage products, only pelletized and cubed alfalfa products move by rail car. Bales and compressed hay products move by truck and intermodal systems, although some may move by box car. Publicly available rail car tariffs for alfalfa pellets show that to move alfalfa pellets from Tisdale, Saskatchewan (home of one of western Canada's alfalfa pellet processors) to an export position costs \$28.07/t to Thunder Bay, or \$38.08/t to Vancouver. Port handling costs are in the range of \$10/t. Shipping product to the US will cost the processor approximately \$1,250 per mid-size hopper car to Fort Francis, and an additional commercial tariff of, for example, \$3,300 per car to Fiona, Texas, for a total shipping cost of approximately \$55.50/t. Although the cost of transportation is significant to the U.S. market, the exchange rate advantage provides some incentive. Given the composite producer price for alfalfa in

ALFALFA PRODUCTS

According to an annual survey by AAFRD, Canadian processed alfalfa production was up significantly for the crop year 1999-2000. Total production, consisting of dehydrated pellets, sun-cured pellets, and alfalfa cubes was estimated at 667,405 t, about 22% higher than the previous year, but still 23% less than the record production of 1994-1995. The surge in production was attributed to an increase in export shipments, which grew by 22% due primarily to a rebound in sales to Asia, which is recovering from the 1998 economic crisis.

For the year 2000-2001, processors are less optimistic about production, and estimate a 13% decline in production, to about 593,000 t. Among the factors cited for the expected downturn were a marked reduction in shipments, fewer contracted acres and closure of some processing facilities, due to decreased profit margins and increasing natural gas costs.

According to the Canadian Dehydrators' Association, there are approximately 30 member plants across the country, with the majority of processed alfalfa production located in western Canada, particularly in Saskatchewan and Alberta. Some alfalfa processing (mainly dehydrated pellets) is also undertaken in Ontario, Manitoba, and Quebec.

Prices for alfalfa products have been collected by Unicoop Japan. Between January of 1998 and May of 1999, prices fell dramatically from a high of \$310/t cost insurance freight (CIF) Japan for cubes and \$260/t for pellets to about \$212/t for cubes and \$170/t for pellets. Since that time, prices have increased to about \$260/t for cubes and

COMPRESSED HAY PRODUCTS

AAFRD estimates that the total production of compressed hay in 1999-2000 was about 217,000 t, including approximately 155,000 t of compressed timothy

hay. Growth in this industry has been steady and strong since the first shipment of 17 t to Japan in 1981. While data for production in 1998-1999 was not available, processors foresee strong growth of about 27% for total production of 275,000 t in 2000-2001.

The compressed hay industry is also mainly located in western Canada, with a high concentration of compressed timothy hay being processed in Alberta. Access to irrigation, and better access to the West Coast export terminals, make Alberta better situated for processing opportunities.

EXPORTING

Canada's forages are internationally recognized because of the large diverse land base, world class processing facilities, clean, natural growing environments, and leading edge infrastructure for transportation. In 2000, over \$152 million dollars worth of forage products were exported.

The processed forage product market is highly export oriented, as little processed product is fed within the country. "Canada is now, by far, the world's largest exporter of alfalfa pellets and next only to the U.S. as an exporter of alfalfa cubes. More than 80% of Canadian processed alfalfa products are exported" (Canadian Dehydrators Association, 1999).

Markets for processed alfalfa have predominantly been in the Pacific Rim countries of Japan, Korea, and Taiwan. A growing livestock industry, particularly dairy, and a shortage of land to grow forage crops has led to large quantities of forage imports by these countries.

CANADA: FORAGE EXPORTS

| | 1997 | 1998 | 1999 | 2000 | 1997 | 1998 | 1999 | 2000 |
|----------------------------|------------------------|---------------|---------------|---------------|----------------------------|---------------|---------------|---------------|
| | Value (thousand CAN\$) | | | | Quantity (thousand tonnes) | | | |
| Alfalfa (meal and pellets) | 63.37 | 42.31 | 41.78 | 41.58 | 308.15 | 220.15 | 274.58 | 331.41e |
| Alfalfa (cubes) | 34.73 | 20.58 | 15.96 | 22.60 | 147.76 | 92.67 | 83.27 | 110.07 |
| Alfalfa (loose or baled) | 20.61 | 10.20 | 16.34 | 16.41 | 81.63 | 38.73 | 60.59 | 76.37 |
| Other Hay | 43.41 | 56.99 | 54.89 | 72.20 | 149.84 | 174.12 | 171.38 | 336.82 |
| TOTAL | 162.13 | 130.08 | 128.97 | 152.79 | 687.39 | 525.66 | 589.82 | 854.67 |

e: estimate, AAFC, April 2001

Source: Statistics Canada

The U.S. also imports a large amount of alfalfa products, and loose hay. Spot markets for alfalfa, hay, and their products continue to emerge from time to time, largely due to weather related feed shortage problems. These are highly competitive markets which often buy the lower quality products. Access to these markets can sometimes be difficult due to subsidized competition, specifically by the European Union, or the existence of non-tariff barriers. Recent spot markets have included Morocco, the Middle East, Portugal, Cuba, and Bermuda.

ORGANIZATIONS INVOLVED IN THE FORAGE INDUSTRY

The **Canadian Hay Association** is a national organization dedicated to the producers, processors and marketers of long fibre forage products. It funds research programs, lobbies on issues such as tariffs and trade, transportation and farm safety nets and is working towards establishing National Grading Standards for timothy hay. For more information on the Canadian Hay Association, visit their website at www.canadianhay.com.

The **Canadian Dehydrators' Association** is a non-profit association that works on behalf of the Canadian processed alfalfa industry. It represents approximately 30 alfalfa processors, and supports research programs, and aids in international marketing. They also lobby on issues such as tariff reductions, trade, transportation, and farm safety net programs. For more information on the Canadian Dehydrators Association, visit their website at www.dehyassoc.ca.

In addition to these national associations, there are numerous provincial

organizations such as provincial dehydration organizations in Alberta and Saskatchewan and forage councils in most provinces. Many other companies are also involved in marketing Canadian forages, and they range from brokers to integrated organizations that control the quality of the product from the growing or harvesting stage all the way to the customer's warehouse.

for more information please contact:

Deanna Harrison
Marketing and Trade Officer
Market and Industry Services Branch
Telephone: (204) 984-4409
Fax: (204) 983-4583
E-mail: harrisonsd@em.agr.ca

Market Analysis Division Website:

<http://www.agr.ca/policy/winn/biweekly/index.htm>

The Bi-weekly Bulletin is published by the: Market Analysis Division, Strategic Policy Branch, Marketing Policy Directorate, Agriculture and Agri-Food Canada, 500-303 Main Street Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524
Editor: Gordon MacMichael
E-mail: macmichaelg@em.agr.ca

Director: Maggie Liu
Chief: Fred Oleson

To receive a free e-mail subscription to the Bi-weekly Bulletin, please contact Blair Cantafio at cantafio@em.agr.ca

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CANADIAN GRAINS AND OILSEEDS OUTLOOK

APRIL 30, 2001

The Statistics Canada (STC) seeding intentions survey, conducted during late March, indicates a shift into spring wheat, coarse grains, dry peas, chick peas and summerfallow in Western Canada, with areas of durum, canola, flaxseed, mustard seed, canary seed and lentils expected to decline. In Eastern Canada, the area of grain corn is expected to rise, while wheat and soybean areas decrease. Total production of grains and oilseeds in Canada is forecast by AAFC at about 63.4 million tonnes (Mt), 3% above 2000-01, assuming normal yields. Total exports are forecast to be relatively unchanged, at 28.3 Mt, with higher exports of wheat and coarse grains offset by lower exports of oilseeds. Alberta and western Saskatchewan are currently very dry, and if rain is not received in these regions prior to seeding, area could be shifted from small-seeded crops such as canola into crops such as wheat, which can be seeded deeper into available moisture, or summerfallow. Seeded areas may differ from the intentions, due to changes in market outlook, expected prices, spring weather and the published seeding intentions themselves.

For 2001-02, world wheat prices (except durum) are expected to increase from the 2000-01 level due to lower production and carry-out stocks in the major exporting countries. World coarse grain prices (except malting barley) are expected to increase slightly due to lower expected corn production and ending stocks in the US, and reduced EU barley supplies. Oilseed prices are expected to remain near current low levels due to burdensome world oilseed supplies and low edible oil prices. Domestic support programs in the US and EU are expected to continue to encourage high production, which will pressure prices. The major factors to watch are: growing conditions in the major importing and exporting regions, particularly the US; the impact of high nitrogen fertilizer prices; China's accession to the WTO; and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2001-02, intended area is up by 4%, but production is projected to increase only slightly, with the higher area offset by lower yields. Exports are forecast to rise slightly, to 14.2 Mt, due to strong world demand. Feed use is expected to decline due to larger barley supplies, but remain historically high due to strong hog feed demand. Carry-out stocks are expected to continue to decline, reaching the lowest level since 1995-96. The Canadian Wheat Board (CWB) April Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$209/t, in-store Vancouver/St. Lawrence, up \$2/t from Mar. and \$19/t above the 2000-01 PRO. Ontario winter wheat production is forecast to decline by 28% to 1.0 Mt, due to a smaller seeded area and greater abandonment, due to snow mold. The Ontario Wheat Producers' Marketing Board's total pool return for No.1 CEWW wheat is forecast by AAFC at \$115-125/t, \$10/t above 2000-01.

DURUM

Due to the sharply lower intended area, production is expected to fall by 19%. This will be partly offset by 50% larger carry-in stocks, so that supplies would decline by only 2%. Exports, however, are forecast to rise by 0.2 Mt, due to continuing strong world demand, with poor crops forecast for North Africa for the third year in a row. Domestic feed use is expected to return to normal levels, compared to the abnormally high feed use in 2000-01. Carry-out stocks are projected to decline slightly, to 2.5 Mt, but remain well above the 10-year average of 1.7 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$206/t, \$15/t higher than forecast last month, but down \$7/t from 2000-01, and with a small discount to spring wheat.

BARLEY

Barley production is forecast to increase due to a larger intended area, lower abandonment and higher yields in Alberta and Saskatchewan. Total supplies are

expected to increase by 8%, reflecting the higher production. Feed use is forecast to increase due to the increased supplies of barley and reduced supplies of feed wheat. Feed barley exports are expected to increase significantly due to larger supplies. Malting barley exports are expected to rise slightly. Carry-out stocks are forecast to increase. Off-Board feed barley prices are expected to be similar to 2000-01, as lower prices from increased supplies offset higher US corn prices. The CWB PRO for No.1 CW feed barley is \$147/t, up by \$5/t from the 2000-01 PRO. Prices for malting barley are forecast to decline due to increased world supplies of malting barley. The CWB PRO for Special Select 2 Row Designated barley is \$198/t, vs. the 2000-01 PRO of \$205/t.

OATS

Production is forecast to rise, due to higher intended area. Supplies are forecast to rise slightly, as higher production more than offset the lower carry-in stocks. Exports are projected to increase slightly, as US imports are expected to remain strong. Carry-out stocks are forecast to remain unchanged. Prices are expected to rise slightly, following US corn prices.

CORN

Corn production is forecast to rise sharply, as farmers intend to seed a record high area and yields in Eastern Canada are projected to return to normal. Lower carry-in stocks will partly offset the increase in production. Imports are expected to fall considerably as a result of the increased domestic supplies and improved quality. Feed use is forecast to increase slightly due to the increase in domestic corn supplies and lower supplies of feed wheat. Carry-out stocks are expected to increase. Prices are forecast to be similar to 2000-01 as the stronger US corn prices are offset by a weaker basis.

CANOLA

Intended area has decreased by 23%, the lowest level since 1996, due to low prices, high input costs and expected dry seeding

conditions. Production is expected to fall by 25%. Supplies are forecast to decrease significantly, as the sharp drop in carry-in stocks is only partly offset by a rise in imports. Consequently, domestic crush and exports are both projected to drop sharply, due to the rationing of tight supplies. Carry-out stocks are forecast to fall by 58%, to pipeline levels. Prices are expected to remain near current low levels, however, as support from sharply lower Canadian supplies is offset by low US soyoil prices, historically low palm oil prices, and abundant world supplies of soybeans and palm oil.

FLAXSEED (excluding solin)

Intended area has fallen to the lowest level since 1993-94, due to low prices. However, production is expected to increase as yields return to more normal levels. Supplies are forecast to decrease by 12% as reduced carry-in stocks offset the rise in production. Exports are forecast to increase due to increased EU import demand. Carry-out stocks are expected to decline by 50%, supporting a slight increase in average prices.

SOYBEANS

Intended area is down slightly, but production is forecast to rise, due to higher yields. Supplies are forecast to remain stable, as reduced imports offset the rise in production. Domestic crush and exports are expected to be unchanged. Prices are forecast to decline slightly, due to projected record high US and 2001-02 South American production.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465

E-mail.....lennoxg@em.agr.ca

Coarse Grains.....Dennis Jackson 983-8461

E-mail.....jacksond@em.agr.ca

Oilseeds.....Chris Beckman984-4929

E-mail.....beckmac@em.agr.ca

Fred Oleson, Chief983-0807

E-mail.....olesonf@em.agr.ca

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CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

APRIL 30, 2001

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1999-2000 | 1,760 | 2.44 | 4,300 | 9 | 6,257 | 3,575 | 263 | 373 | 888 | 1,793 | 207 |
| 2000-2001f | 2,614 | 2.16 | 5,647 | 8 | 7,448 | 3,600 | 250 | 688 | 1,148 | 2,700 | 213 * |
| 2001-2002f | 2,125 | 2.15 | 4,570 | 5 | 7,275 | 3,800 | 255 | 495 | 975 | 2,500 | 206 ** |
| Wheat Except Durum | | | | | | | | | | | |
| 1999-2000 | 8,606 | 2.63 | 22,600 | 6 | 28,093 | 14,737 | 2,693 | 4,252 | 7,774 | 5,582 | 168 |
| 2000-2001f | 8,349 | 2.53 | 21,157 | 40 | 26,778 | 14,100 | 2,710 | 4,108 | 7,678 | 5,000 | 190 * |
| 2001-2002f | 8,695 | 2.46 | 21,430 | 10 | 26,440 | 14,200 | 2,735 | 3,735 | 7,340 | 4,900 | 209 ** |
| All Wheat | | | | | | | | | | | |
| 1999-2000 | 10,367 | 2.59 | 26,900 | 14 | 34,349 | 18,313 | 2,956 | 4,625 | 8,662 | 7,375 | |
| 2000-2001f | 10,963 | 2.44 | 26,804 | 48 | 34,227 | 17,700 | 2,960 | 4,797 | 8,827 | 7,700 | |
| 2001-2002f | 10,820 | 2.40 | 26,000 | 15 | 33,715 | 18,000 | 2,990 | 4,230 | 8,315 | 7,400 | |
| Barley | | | | | | | | | | | |
| 1999-2000 | 4,069 | 3.24 | 13,196 | 33 | 15,966 | 2,392 | 253 | 9,809 | 10,503 | 3,071 | 110 |
| 2000-2001f | 4,551 | 2.96 | 13,468 | 50 | 16,589 | 2,600 | 360 | 10,074 | 10,889 | 3,100 | 120-130 |
| 2001-2002f | 4,763 | 3.10 | 14,742 | 30 | 17,872 | 3,200 | 360 | 10,357 | 11,172 | 3,500 | 110-140 |
| Corn | | | | | | | | | | | |
| 1999-2000 | 1,141 | 8.03 | 9,161 | 1,023 | 11,069 | 226 | 2,020 | 7,240 | 9,291 | 1,552 | 107 |
| 2000-2001f | 1,088 | 6.27 | 6,827 | 1,800 | 10,178 | 125 | 2,125 | 7,098 | 9,254 | 800 | 115-135 |
| 2001-2002f | 1,239 | 7.55 | 9,350 | 900 | 11,050 | 300 | 2,225 | 7,293 | 9,550 | 1,200 | 110-140 |
| Oats | | | | | | | | | | | |
| 1999-2000 | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,573 | 191 | 1,753 | 2,104 | 1,057 | 128 |
| 2000-2001f | 1,299 | 2.61 | 3,389 | 5 | 4,451 | 1,725 | 190 | 1,613 | 1,976 | 750 | 125-135 |
| 2001-2002f | 1,459 | 2.57 | 3,755 | 4 | 4,509 | 1,775 | 210 | 1,606 | 1,984 | 750 | 120-150 |
| Rye | | | | | | | | | | | |
| 1999-2000 | 169 | 2.29 | 387 | 4 | 557 | 85 | 69 | 222 | 310 | 162 | |
| 2000-2001f | 115 | 2.27 | 260 | 5 | 427 | 90 | 75 | 141 | 237 | 100 | |
| 2001-2002f | 102 | 2.27 | 232 | 5 | 337 | 85 | 75 | 81 | 177 | 75 | |
| Mixed Grains | | | | | | | | | | | |
| 1999-2000 | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001f | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002f | 164 | 2.81 | 459 | 0 | 459 | 0 | 0 | 459 | 459 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1999-2000 | 6,930 | 3.87 | 26,832 | 1,064 | 32,772 | 4,276 | 2,533 | 19,470 | 22,655 | 5,842 | |
| 2000-2001f | 7,181 | 3.39 | 24,327 | 1,860 | 32,028 | 4,540 | 2,750 | 19,308 | 22,738 | 4,750 | |
| 2001-2002f | 7,727 | 3.69 | 28,538 | 939 | 34,228 | 5,360 | 2,870 | 19,796 | 23,342 | 5,525 | |
| Canola | | | | | | | | | | | |
| 1999-2000 | 5,564 | 1.58 | 8,798 | 124 | 9,556 | 3,885 | 2,983 | 583 | 3,605 | 2,066 | 288 |
| 2000-2001f | 4,816 | 1.48 | 7,119 | 150 | 9,335 | 4,600 | 3,000 | 495 | 3,535 | 1,200 | 275-305 |
| 2001-2002f | 3,716 | 1.43 | 5,316 | 350 | 6,866 | 3,400 | 2,600 | 331 | 2,966 | 500 | 275-305 |
| Flaxseed | | | | | | | | | | | |
| 1999-2000 | 777 | 1.32 | 1,022 | 2 | 1,175 | 568 | n/a | n/a | 226 | 381 | 237 |
| 2000-2001f | 591 | 1.17 | 693 | 3 | 1,077 | 650 | n/a | n/a | 227 | 200 | 245-265 |
| 2001-2002f | 555 | 1.35 | 749 | 3 | 952 | 700 | n/a | n/a | 152 | 100 | 250-280 |
| Soybeans | | | | | | | | | | | |
| 1999-2000 | 1,004 | 2.77 | 2,781 | 455 | 3,478 | 948 | 1,712 | 493 | 2,277 | 252 | 256 |
| 2000-2001f | 1,061 | 2.55 | 2,703 | 255 | 3,210 | 800 | 1,650 | 440 | 2,160 | 250 | 230-260 |
| 2001-2002f | 1,014 | 2.77 | 2,810 | 150 | 3,211 | 800 | 1,650 | 466 | 2,186 | 225 | 220-260 |
| Total Oilseeds | | | | | | | | | | | |
| 1999-2000 | 7,345 | 1.72 | 12,602 | 581 | 14,208 | 5,401 | 4,695 | 1,076 | 6,108 | 2,699 | |
| 2000-2001f | 6,468 | 1.63 | 10,515 | 408 | 13,623 | 6,050 | 4,650 | 935 | 5,922 | 1,650 | |
| 2001-2002f | 5,285 | 1.68 | 8,874 | 503 | 11,028 | 4,900 | 4,250 | 797 | 5,303 | 825 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1999-2000 | 24,642 | 2.69 | 66,334 | 1,659 | 81,330 | 27,989 | 10,184 | 25,172 | 37,425 | 15,916 | |
| 2000-2001f | 24,612 | 2.50 | 61,646 | 2,316 | 79,877 | 28,290 | 10,360 | 25,040 | 37,487 | 14,101 | |
| 2001-2002f | 23,832 | 2.66 | 63,413 | 1,457 | 78,970 | 28,260 | 10,110 | 24,823 | 36,960 | 13,750 | |

(a) Aug.-July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver);

Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (No. 3 CW, WCE cash Track Minneapolis);

Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB Pool Return Outlook (PRO): March 2001.

** - CWB PRO: April 2001, for No.1 CWRS and No.1 CWAD with 11.5% protein. This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, April 30, 2001

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

CANADA: SPECIAL CROPS SITUATION AND OUTLOOK FOR 2001-2002 APRIL 30, 2001

Area seeded to special crops in Canada is forecast to increase only marginally, as a higher seeded area for dry peas, chick peas and sunflower seed, is mostly offset by a lower area for lentils, dry beans and a sharply lower area for mustard seed and canary seed. Statistics Canada's (STC) seeding intentions survey, conducted during the period of March 23-30 and released on April 24, provided estimates of areas seeded for most of the special crops by province but, in some cases, the area seeded has been forecast by AAFC. STC indicated that the survey response showed that more western producers were undecided about what they intended to seed than in previous years. In addition, Alberta and western Saskatchewan are dry, while Manitoba and south-eastern Saskatchewan are wet. Therefore, the actual seeded area may differ due to changes in market outlook, expected prices, spring weather conditions, as well as producer reaction to the published seeding intentions themselves. To date, only a small amount of seeding has been done in southern Alberta and western Saskatchewan. STC's actual seeded area report will be released on June 29. Other factors to watch are growing conditions in major special crops importing and exporting countries, and the value of the Canadian dollar relative to the currencies of importing countries.

Assuming normal yields, total special crops production is forecast to increase by 6% to 5.23 million tonnes (Mt). Total supply is expected to increase only slightly because of lower carry-in stocks. However, the total supply of mustard seed and canary seed is expected to be very tight because of sharply lower production. Total special crops exports are forecast to decrease slightly, while domestic use increases, resulting in lower carry-out stocks. Average prices, compared to 2000-01, are forecast to increase for dry beans, mustard seed, canary seed and sunflower seed, decrease for dry peas and lentils and be similar for chick peas and buckwheat.

DRY PEAS

Production is forecast to increase by 15%, as a 16% increase in seeded area is partly offset by lower yields. Total supply is forecast to increase by only 5% because of lower carry-in stocks. Total world supply is expected to increase by 3% to 12 Mt because of higher production in the EU and Canada, which is partly offset by lower carry-in stocks. The higher supply is expected to be mostly offset by increased overall demand. Canadian exports are forecast to decrease because of increased production in the EU, while domestic use increases because of increased use for livestock feed. Carry-out stocks are forecast to increase, but still remain low with a stocks-to-use (s/u) ratio of 8%. Prices are expected to be pressured by lower protein meal prices and higher Canadian supply. Therefore, the average price over all types, grades and markets is forecast to decrease slightly compared to 2000-01.

LENTILS

Production is forecast to decrease by 6%, because of a 7% decrease in seeded area, which is partly offset by higher yields. Total supply is forecast to increase by 4% due to higher carry-in stocks. Total world supply is expected to increase slightly to 3.56 Mt, and Canada's share of total world supply is expected to increase. Therefore, Canadian exports are expected to increase. Carry-out stocks are forecast to remain stable, with a s/u ratio of 20%. The average price over all types and grades is forecast to decrease slightly.

DRY BEANS

Production is forecast to increase by 10%, as a 6% decrease in seeded area is more than offset by higher yields. Production of white pea beans is forecast to increase by 18% to 130,000 t, while production of coloured beans increases by 4% to 165,000 t. Total supply is expected to remain stable because of lower carry-in stocks. Exports are forecast to increase only slightly because of the stable supply, and carry-out stocks are expected to decrease to a very low level. US production is expected to decrease by 15%.

Total US and Canadian supply is expected to decline by 10%. Therefore, the average price, over all classes and grades, is forecast to increase by 9%.

CHICK PEAS

Production is forecast to increase by 16% due to a 20% increase in seeded area, which is partly offset by lower yields. Production of the kabuli type is forecast to increase, while production of the desi type decreases. Assuming normal growing conditions, the average quality of the crop should improve. Total Canadian supply is forecast to increase by 23% due to higher production and carry-in stocks. Total world supply is expected to decrease slightly to 9.19 Mt, with a small decrease for the desi type and a small increase for the kabuli type. Canada's share of total world supply is forecast to increase to 5.4% from 4.3% in 2000-01. Therefore, Canadian exports are forecast to increase. Carry-out stocks are also forecast to increase with a s/u ratio of 15%. Average prices are forecast to be pressured by higher Canadian supply, but supported by higher expected quality and a shift to the production of the higher-priced kabuli type. Therefore, the average price over both kabuli and desi types and all sizes and grades is forecast to be the same as in 2000-01.

MUSTARD SEED

Production is forecast to decrease by 40% in line with the decrease in seeded area. The largest decrease in production is expected for the oriental and brown types, with a smaller decrease for the yellow type. Total supply is forecast to decrease by 34%. Exports are expected to decrease because of the lower supply. Carry-out stocks are forecast to decrease to a negligible level. The average price over all types and grades is forecast to increase by 22% because of the lower supply.

CANARY SEED

Production is forecast to decrease by 47%, due to a 52% reduction in seeded area, which is partly offset by higher yields. Total supply is forecast to decrease by 37%. Total world supply is

forecast to decrease by 28% to 235,000 t, with Canada's share of world supply decreasing to 70% from 80% in 2000-01. Exports are expected to decrease, because of the lower supply. Carry-out stocks are forecast to decrease to a negligible level. The average price is forecast to increase by 35% because of the lower supply.

SUNFLOWER SEED

Production is forecast to decrease by 8%, as a 6% increase in seeded area is more than offset by lower yields. Confectionary sunflower seed production is expected to decrease by 10% to 80,000 t, while oil sunflower seed production is expected to remain stable at 30,000 t. Total supply is forecast to decrease by 9% because of lower production and carry-in stocks. Exports are expected to remain stable, while domestic use increases in line with the growing domestic bird seed and confectionary processing industries. Carry-out stocks are forecast to decrease, with a s/u ratio of 10%. Total world supply is expected to remain stable at 24.6 Mt. US total supply of the confectionary type is expected to decrease slightly, while the total supply for the oilseed type decreases by 10%. Stronger world demand is expected to support prices. Therefore, the average Canadian price over both confectionary and oilseed types is forecast to increase slightly.

BUCKWHEAT

Production is forecast to increase by 20%, with a stable seeded area and higher yields. Total use is forecast to increase. The average price over all grades and markets is forecast to be the same as in 2000-01, in line with stable world total supply of about 3.07 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mail skrypetz@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mail olesonf@em.agr.ca

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CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS

APRIL 30, 2001

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (c) | Ending Stocks | Average Price (d) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,974 | 1,116 | 523 | 335 | 180 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,409 | 830 | 400 | 135 |
| 2000-2001f | 1,220 | 2.35 | 2,864 | 10 | 3,274 | 2,100 | 1,024 | 150 | 120-140 |
| 2001-2002f | 1,420 | 2.32 | 3,290 | 10 | 3,450 | 2,000 | 1,200 | 250 | 110-140 |
| Lentils | | | | | | | | | |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 523 | 349 | 109 | 65 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001f | 688 | 1.33 | 914 | 5 | 999 | 630 | 199 | 170 | 290-310 |
| 2001-2002f | 640 | 1.34 | 860 | 5 | 1,035 | 670 | 195 | 170 | 280-310 |
| Dry Beans | | | | | | | | | |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 259 | 61 | 40 | 500 |
| 2000-2001f | 165 | 1.62 | 268 | 30 | 338 | 260 | 63 | 15 | 470-490 |
| 2001-2002f | 155 | 1.90 | 295 | 30 | 340 | 265 | 65 | 10 | 510-540 |
| Chick Peas | | | | | | | | | |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001f | 283 | 1.37 | 387 | 2 | 404 | 200 | 159 | 45 | 390-410 |
| 2001-2002f | 340 | 1.32 | 450 | 2 | 497 | 250 | 182 | 65 | 385-415 |
| Mustard Seed | | | | | | | | | |
| 1997-1998 | 292 | 0.83 | 243 | 2 | 283 | 166 | 69 | 48 | 385 |
| 1998-1999 | 279 | 0.86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 165 | 77 | 115 | 285 |
| 2000-2001f | 208 | 0.97 | 202 | 1 | 318 | 160 | 68 | 90 | 265-285 |
| 2001-2002f | 123 | 0.98 | 120 | 1 | 211 | 150 | 56 | 5 | 320-350 |
| Canary Seed | | | | | | | | | |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 245 | 134 | 47 | 64 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001f | 164 | 1.04 | 171 | 0 | 261 | 155 | 31 | 75 | 235-255 |
| 2001-2002f | 78 | 1.15 | 90 | 0 | 165 | 130 | 30 | 5 | 315-345 |
| Sunflower Seed | | | | | | | | | |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 88 | 45 | 40 | 3 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001f | 69 | 1.72 | 119 | 15 | 175 | 65 | 75 | 35 | 310-330 |
| 2001-2002f | 74 | 1.49 | 110 | 15 | 160 | 65 | 80 | 15 | 310-340 |
| Buckwheat | | | | | | | | | |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001f | 15 | 0.93 | 14 | 1 | 16 | 9 | 7 | 0 | 290-310 |
| 2001-2002f | 15 | 1.13 | 17 | 1 | 18 | 9 | 8 | 1 | 285-315 |
| Total Special Crops (e) | | | | | | | | | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 54 | 3,343 | 1,949 | 862 | 532 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,299 | 2,634 | 1,034 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,606 | 1,406 | 782 | |
| 2000-2001f | 2,812 | 1.76 | 4,939 | 64 | 5,785 | 3,579 | 1,626 | 580 | |
| 2001-2002f | 2,845 | 1.84 | 5,232 | 64 | 5,876 | 3,539 | 1,816 | 521 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes food, feed, seed, waste and dockage.

(d) Producer price, FOB plant. Average over all types, grades and markets.

(e) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

f: forecast, Agriculture and Agri-Food Canada, April 30, 2001

Source: Statistics Canada and industry consultations.

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | As of Monday April 23, 2001 | | | | | | | | | |
|--|------------------|-------------|--------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------------------------|--------------|--------------|--|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL-FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | | | | | | | |
| Vancouver | This week | FOB | 142.66 | N/A | 144.16 | 159.00 | | 308.00 | (7) 237.00 | 117.00 | 300.00 | (4) 800.00 | 355.00 | | | | 440.00 | | | | | | | |
| B.C. | Week ago | | 142.66 | N/A | 144.16 | 169.00 | | 308.50 | (7) 236.50 | 117.00 | 300.00 | (4) 800.00 | 355.00 | | | | 440.00 | | | | | | | |
| Calgary | This week | FOB | 119.50 | 105.00 | 121.00 | 156.00 | | 308.00 | 179.00 | | 250.00 | (4) 850.00 | 400.00 | | | | 440.00 | | | | | | | |
| Alta | Week ago | | 119.50 | 105.00 | 121.00 | 156.00 | | 305.00 | 179.00 | | 250.00 | (4) 850.00 | 400.00 | | | | 440.00 | | | | | | | |
| Saskatoon | This week | FOB | 125.50 | 114.00 | 111.00 | 136.00 | | 299.00 | 220.00 | | 260.00 | (4) N/A | 400.00 | | 155.67 | | 440.00 | | | | | | | |
| Sask. | Week ago | | 125.50 | 114.00 | 113.00 | 137.00 | | 297.00 | 220.00 | | 260.00 | (4) N/A | 400.00 | | 157.33 | | 440.00 | | | | | | | |
| Melfort | This week | FOB | 132.00 | 111.34 | 121.60 | | | | | | | | | | | | | | | | | | | |
| Sask. | Week ago | | 130.90 | 110.79 | 119.60 | | | | | | | | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 115.35 | 108.74 | 111.00 | 127.00 | | 282.50 | 210.00 | | 285.00 | (4) 775.00 | 420.00 | | | | 400.00 | | | | | | | |
| Man. | Week ago | | 115.65 | 110.53 | 110.60 | 128.00 | | 280.50 | 209.50 | | 295.00 | (4) 775.00 | 420.00 | | | | 410.00 | | | | | | | |
| Thunder Bay | This week | Track | 136.00 | 128.35 | N/A | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | 136.90 | 124.84 | N/A | | | | | | | | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 122.13 | | | | | | | | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 129.14 | | | | | | | | | | | | | | | | | | |
| Bay Ports | This week | In-store | 160.60 | 185.00 | 165.00 | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | 163.10 | 185.00 | 165.00 | | | | | | | | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 131.10 | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | 135.82 | | | | | | | | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | | (5) N/A | 425.00 | 455.00 | 126.00 | 210.00 | 320.00 | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | (5) N/A | 425.00 | 455.00 | 126.00 | 210.00 | 355.00 | | | | | | | |
| Hamilton | This week | N/A | | | | | FOB | 289.68 | N/A | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | 290.68 | N/A | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 133.93 | | | | | | | | | | | | | | | | | | |
| Ontario | Week ago | | | | | 135.90 | | | | | | | | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | FOB | 306.58 | 226.85 | 111.33 | 276.00 | (5) 790.00 | 265.00 | 455.00 | 128.00 | 230.00 | 370.00 | | | | | | | |
| Que. | Week ago | | | | | | | 306.63 | 224.81 | 115.83 | 276.00 | (5) 790.00 | 259.00 | 455.00 | 128.00 | 227.00 | 370.00 | | | | | | | |
| Trois-Riv. Que. | This week | In-store | 167.00 | | 160.60 | 144.48 | | | | | | | | | | | | | | | | | | |
| Que. | Week ago | | 167.90 | | 159.60 | 148.42 | | | | | | | | | | | | | | | | | | |
| St-Jean Que. | This week | FOB | 165.17 | 119.00 | 152.08 | (2) 134.64 | | | | | | | | | | | | | | | | | | |
| St-Hyacinthe Que. | Week ago | | 166.07 | 118.33 | 153.77 | (2) 138.97 | | | | | | | | | | | | | | | | | | |
| Quebec | This week | In-store | 164.83 | | 158.43 | 148.29 | FOB | 300.96 | | | | | | | | | | | | | | | | |
| Que. | Week ago | | 164.07 | | 157.43 | 153.67 | | 301.70 | | | | | | | | | | | | | | | | |
| Truro | This week | Track | 193.30 | 189.59 | 190.37 | 179.28 | FOB | 332.90 | 255.81 | | 314.28 | | 385.00 | | | | 447.55 | | | | | | | |
| N.S. | Week ago | | 193.05 | 189.59 | 190.22 | 180.58 | | 333.94 | 260.19 | | 314.28 | | 385.00 | | | | 401.23 | | | | | | | |
| Truro | This week | Water | N/A | N/A | N/A | 187.10 | | | | | | | | | | | | | | | | | | |
| N.S. | Week ago | & Truck | N/A | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | |
| Halifax | This week | In-store | N/A | N/A | N/A | 178.10 | FOB | | | | | (5) 700.00 | | | | | | | | | | | | |
| N.S. | Week ago | | N/A | N/A | N/A | N/A | | | | 292.75 | | (5) 750.00 | | | | | | | | | | | | |
| Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available. US \$1,000=Cdn \$1,546 as of April 23, 2001 | | | | | | | | | | | | | | | | | | | | | | | | |
| Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat. No.1 Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease. | | | | | | | | | | | | | | | | | | | | | | | | |
| 1) Wheat 3CWRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley | | | | | | | | | | | | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available. US \$1,000=Cdn \$1,5464 as of April 23, 2001

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat. No.1 Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday April 23, 2001

| PRAIRIE GRAINS | | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|----------------------|--------------------------|--------|-----------|----------|----|-----------|----------|
| SELECTED POINT | PRICE BASIS | | | | | | |
| From: Thunder Bay | Track | WHEAT | 136.00 | 136.90 | | 132.50 | 131.80 |
| | | OATS | 128.35 | 124.84 | | 114.81 | N/A |
| | | BARLEY | N/A | N/A | | 123.10 | 113.10 |
| To: Bayports, Ont. | In-store | WHEAT | 159.10 | 160.00 | 1. | 161.62 | 154.90 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | N/A | N/A | 1. | 157.14 | 140.25 |
| Montreal, Que. | In-store | WHEAT | 163.85 | 164.75 | 1. | 166.69 | 159.65 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | N/A | N/A | 1. | 163.44 | 145.37 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 186.32 | 187.22 | | 189.06 | 182.12 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | N/A | N/A | | 188.91 | 171.73 |
| Truro, N.S. | Truck via Halifax | WHEAT | 183.82 | 184.72 | | 186.56 | 179.62 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | N/A | N/A | | 184.04 | 166.85 |
| Halifax, N.S. | In-store | WHEAT | 171.15 | 172.05 | 1. | 173.89 | 166.95 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | N/A | N/A | 1. | 170.36 | 153.17 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 230.93 | 231.83 | | 227.43 | 226.73 |
| | | OATS | 234.55 | 231.04 | | 221.01 | N/A |
| | | BARLEY | N/A | N/A | | 230.24 | 220.24 |
| From: Melfort, Sask. | FOB | WHEAT | 132.00 | 130.90 | | 124.50 | 114.40 |
| | | OATS | 111.34 | 110.79 | | 97.70 | 105.56 |
| | | BARLEY | 121.60 | 119.60 | | 119.10 | 100.50 |
| To: Bayports, Ont. | Track | WHEAT | 188.12 | 187.02 | | 180.62 | 170.52 |
| | | OATS | 170.21 | 169.66 | | 156.57 | 164.43 |
| | | BARLEY | 174.99 | 172.99 | | 172.49 | 153.89 |
| Montreal, Que. | Track | WHEAT | 188.87 | 187.77 | | 181.37 | 171.27 |
| | | OATS | 171.11 | 170.56 | | 157.47 | 165.33 |
| | | BARLEY | 175.81 | 173.81 | | 173.31 | 154.71 |
| Moncton, N.B. | Track | WHEAT | 210.05 | 208.95 | | 202.55 | 192.45 |
| | | OATS | 194.45 | 193.90 | | 180.81 | 188.67 |
| | | BARLEY | 187.92 | 185.92 | | 185.42 | 166.82 |
| Truro, N.S. | Track | WHEAT | 210.22 | 209.12 | | 202.72 | 192.62 |
| | | OATS | 195.42 | 194.87 | | 181.78 | 189.64 |
| | | BARLEY | 201.54 | 199.54 | | 199.04 | 180.44 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 253.56 | 252.46 | | 246.06 | 235.96 |
| | | OATS | 242.80 | 242.25 | | 229.16 | 237.02 |
| | | BARLEY | 249.83 | 247.83 | | 247.33 | 228.73 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 122.13 | 129.14 | | 125.80 | 131.32 |
| To: Montreal, Que. (US Corn) | In-store | | 141.03 | 148.04 | 1. | 151.34 | 150.22 |
| From: Saginaw (MI) | Track | | 113.01 | 120.53 | | 113.47 | 121.44 |
| To: Montreal, Que. (US Corn) | Track | | 140.55 | 148.07 | | 141.01 | 148.98 |
| From: Chatham | Track | | 131.10 | 135.82 | | 133.46 | 122.83 |
| To: Montreal, Que. | Track | | 153.99 | 158.71 | | 156.35 | 145.72 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|----------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 289.68 | 290.68 | | 288.91 | 287.04 |
| To: Montreal, Que. | Track | | 312.15 | 313.15 | | 311.38 | 309.51 |
| Moncton, N.B. | Track | | 329.46 | 330.46 | | 328.69 | 326.82 |
| Truro, N.S. | Track | | 332.43 | 333.43 | | 331.66 | 329.79 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 381.69 | 382.69 | | 380.92 | 379.05 |

1. Prices include one month of storage and interest charges

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



May 11, 2001

Vol. 14 No. 8

MUSTARD SEED: SITUATION AND OUTLOOK

Canada is normally the second largest producer of mustard seed in the world and accounts for about 75-80% of world exports. The value of Canadian mustard seed exports has averaged about \$90 million during the past 4 years. Canadian production, including yellow, brown, and oriental types, is forecast to decrease sharply by 40% in 2001-2002 in line with lower seeded area, with the total supply decreasing by 34%. The lower total supply is expected to support prices. Therefore, the average price, over all 3 types, is forecast to increase by 22%. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for mustard seed.

BACKGROUND

Agronomics

Production of mustard seed in Canada started in 1952. The three types of mustard seed produced are yellow (*Sinapis alba*), brown, and oriental (both *Brassica juncea*). Mustard seed can be grown on most soil types, but is best adapted to the brown and dark brown soils. Soils prone to crusting and dry, sandy soils are not recommended. All mustard seed types tolerate drought conditions better than canola. To minimize the effect of sclerotinia, mustard seed should not be seeded in the same field more than one year in four. Fields should be free of wild mustard and volunteer oilseed crops. Mustard seed fits well in a rotation with cereal grains. Mustard seed requires 90-95 days to mature and the seedlings are quite tolerant of frost. Early seeding is recommended to avoid flowering during the hottest part of the summer, thereby improving yields. Yellow mustard seed is resistant to shattering and therefore can be straight-combined. Full seed maturity is necessary to produce a good quality crop. Brown and oriental mustard seeds are less resistant to shattering and are usually swathed. Brown and oriental mustard seed should be swathed when about 75% of the seeds have reached their mature colour (yellow or brown). Mustard seed is ready to combine

when seed moisture reaches 12-13% or less and no green seed can be found. For long-term storage, mustard seed moisture levels should be under 9.5% to minimize spoilage.

Uses

Yellow mustard seed is suitable for a wide range of applications, including dry milling for flour, wet milling for mustard pastes, and whole ground seed for spice mixes, meat processing and other food products. It is the type of mustard seed used for processing into the North American hot dog mustard, which uses the whole seed for a milder product. In processed meats, it is used as a binder and a protein extender, and to enhance the flavour. Since there are several varieties of yellow mustard seed grown in Canada, there is a range of mucilage (a gummy substance) contents available, allowing processors to blend varieties to reach a standard viscosity. Dry milled flour is used for condiments and as an ingredient in compounded products. The extracted seed hulls

are used for thickening and stabilization in mustard and other prepared foods. Yellow mustard seed can also be ground for use as an ingredient for the prepared meat industry, where it contributes to total protein and the gelling of the mucilage increases water absorption into the product, which provides enhanced economy and improved efficiency in the smooth moulding of shaped products. Heat inactivated (spice heat removed) whole ground seed is used as an ingredient in many food products providing colour, flavour, viscosity and

WORLD: MUSTARD SEED PRODUCTION *

| | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002† |
|------------------|---------------------------|---------------|---------------|---------------|----------------|
| |thousand tonnes..... | | | | |
| Canada** | 243 | 239 | 306 | 202 | 120 |
| Nepal | 119 | 110 | 120 | 123 | 120 |
| Russia | 58 | 68 | 43 | 33 | 35 |
| Czech Republic | 18 | 37 | 45 | 14 | 20 |
| United States*** | 27 | 37 | 22 | 17 | 19 |
| Myanmar | 8 | 10 | 13 | 13 | 13 |
| China | 10 | 10 | 12 | 12 | 12 |
| Romania | 4 | 7 | 9 | 12 | 12 |
| Other | 21 | 20 | 17 | 17 | 19 |
| World | 508 | 538 | 587 | 443 | 370 |

* partial

Note: India, Pakistan, and Bangladesh are important producers, but mustard seed production data for these countries is not available as it is combined with rapeseed production data.

†: forecast, AAFC, May 2001

Source: FAO, except **Statistics Canada, ***USDA, May 2001



emulsification. The oil content of yellow mustard seed is about 27%.

Brown mustard seed is ground into flour which is used to produce a hot mustard used in European products. The flour is also used in mayonnaise, salad dressing and sauces. The oil content of brown mustard seed is about 36%.

Canadian oriental mustard seed varieties have been bred for specific levels of oil and volatility to meet alternative market requirements. High volatility, high oil content oriental mustard seed varieties are suitable for the oilseed demand in the Indian sub-continent, while low volatility, low oil content mustard seed varieties are suitable for dry milling purposes. Stronger flavoured oriental mustard seed varieties are also available if the miller or processor requires it. There are oriental mustard seed varieties grown in Canada that have oil contents as high as 50%, although the average oil content is about 39%.

WORLD

Production

India produces the bulk of world mustard seed. However production data for India, as well as two other significant producers Pakistan and Bangladesh, is not available since these countries combine mustard seed production data with rapeseed production. Unofficial estimates for mustard seed production in these countries are about 2.5 million tonnes (Mt) for India and about 150,000 tonnes (t) each for Pakistan and Bangladesh. Excluding these three countries, mustard seed production has increased from 357,000 t in 1991-1992 to a peak of 587,000 t in 1999-2000. For 2000-2001, production dropped sharply to 443,000 t mainly because of lower production in Canada, which is normally the second largest producer in the world. Other significant mustard seed producers are Nepal, Czech Republic, Russia, and the United States (U.S.).

Consumption and Trade

Mustard seed is typically consumed in the country where it is produced.

Mustard seed exports have increased

from 180,000 t in the early 1990s to a peak of 284,00 t in 1996 and subsequently trended downward, with 233,000 t exported in 1999, the latest year for which world trade statistics are available. The timing of delivery accounts for the difference between export and import volumes. Canada dominates world mustard seed exports with a 75-80% share, if re-exports are

excluded. The only other significant exporters are the Czech Republic, Netherlands and Hungary. The top six importing countries are Bangladesh, U.S., Germany, France, Netherlands, and Japan. In total, they account for about 85% of world imports.

CANADA

Production

Canadian mustard seed production increased rapidly during the early 1990s before peaking at 319,000 t in 1994-1995. Production dropped in the following years, but rose sharply to 306,000 t in 1999-2000. For 2000-2001, production dropped sharply to 202,000 t, largely because of lower seeded area in response to high carry-in stocks. Saskatchewan dominates Canadian mustard seed production with 92% of the production in 2000-2001, followed by Alberta at 7% and Manitoba at 1%. Production by type varied from year to year depending on price prospects for each type of mustard seed. In 2000-2001, about 24% of the production was brown, 47% was oriental and 29% was yellow. Oriental mustard seed generally has the highest yield. The yields of brown and yellow mustard seed are about 5% and 20% lower than oriental, respectively. Since the costs of production are similar for all types, prices for brown mustard seed have to be about 5% higher and for yellow mustard seed about 25% higher compared to oriental mustard seed to encourage production of the brown and yellow types as compared to the oriental type.

Marketing

All of the mustard seed produced in Canada is sold on the open market to dealers. There are about twenty dealers across the Prairie provinces who buy, clean, and ship mustard seed to domestic and export markets. The dealers range from large corporations and co-operatives to small family-owned businesses. Mustard seed is shipped both bulk and in containers depending on the volume shipped and the destination. Deliveries to domestic and U.S. customers are in bulk in trucks or in containers which are carried by trucks or trains. Some mustard seed is grown

WORLD: MUSTARD SEED EXPORTS

| calendar year | 1995 | 1996 | 1997 | 1998 | 1999 |
|----------------|---------------------------|------------|------------|------------|------------|
| |thousand tonnes..... | | | | |
| Canada | 168 | 173 | 161 | 168 | 159 |
| Czech Republic | 6 | 12 | 15 | 12 | 23 |
| Netherlands | 13 | 14 | 13 | 13 | 11 |
| Hungary | 9 | 16 | 11 | 17 | 13 |
| Russia | 1 | 33 | 20 | 3 | 3 |
| Other | 22 | 36 | 28 | 26 | 24 |
| Total | 219 | 284 | 248 | 239 | 233 |

WORLD: MUSTARD SEED IMPORTS

| calendar year | 1995 | 1996 | 1997 | 1998 | 1999 |
|---------------|---------------------------|------------|------------|------------|------------|
| |thousand tonnes..... | | | | |
| Bangladesh | 115 | 80 | 45 | 101 | 52 |
| United States | 59 | 72 | 59 | 55 | 47 |
| Germany | 36 | 35 | 29 | 37 | 40 |
| France | 31 | 23 | 31 | 28 | 30 |
| Netherlands | 22 | 16 | 23 | 19 | 14 |
| Japan | 11 | 9 | 10 | 9 | 10 |
| Other | 51 | 34 | 33 | 43 | 42 |
| Total | 325 | 269 | 230 | 292 | 235 |

Note: The difference between imports and exports is attributed to the timing of delivery.

Source: FAO, May 2001

CANADA: MUSTARD SEED PRODUCTION BY TYPE

| <i>August-July crop year</i> | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002f |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
|thousand tonnes..... | | | | | |
| Brown | 60 | 70 | 80 | 48 | 25 |
| Oriental | 68 | 74 | 150 | 95 | 40 |
| Yellow | 115 | 95 | 76 | 59 | 55 |
| Total | 243 | 239 | 306 | 202 | 120 |

f: forecast, AAFC, May 2001

Source: AAFC estimates based on Statistics Canada and industry reports

under production contracts, which guarantee a price for part of the production, and the rest is sold on the spot market. Market development activities are carried out under the leadership of the Canadian Special Crops Association, an industry organization representing traders, exporters, and processors.

The Saskatchewan Mustard Growers' Association was formed in 1997 to advance the production of mustard seed and promote the industry.

The Canadian Grain Commission administers quality control standards for mustard seed. There are four grades for each type of mustard seed. In addition, mustard seed can be graded sample if specifications for the four grades are not met.

Domestic Use

Canadian domestic use, which includes food, seed, dockage and waste, accounts for about 30% of the total use. It has been fairly stable at about 70,000 t during the past 4 years. There are several processors of mustard seed in Canada, concentrating on milling seed for its flour and for condiments. Most of the mustard seed processed in Canada is the yellow type, however some brown and oriental types are also milled mainly to be blended with yellow mustard flour for customers who want a spicier product.

Exports

Canadian mustard seed exports are mainly in the bulk, unprocessed form. Europe (mainly Belgium, Netherlands, Germany, France, Switzerland, and

the United Kingdom), Asia (mainly Bangladesh, India, and Japan), and the U.S. account for the majority of the exports. Europe imports mainly brown mustard seed, Asia mainly oriental and the U.S. mainly yellow. Canadian exports peaked at 220,000 t in 1993-1994 and decreased to a low of 141,000 t in 1996-1997. Exports recovered during the past 3 years and are forecast at 160,000 t for 2000-2001.

In addition to seed exports, some of the mustard seed flour produced in Canada is exported to the U.S. and other markets.

CANADA: MUSTARD SEED EXPORTS

| <i>August-July crop year</i> | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001f | 2001 -2002f |
|------------------------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|
|thousand tonnes..... | | | | | |
| Europe | 60 | 52 | 49 | 50 | 46 |
| United States | 61 | 51 | 52 | 52 | 52 |
| South America & Central America | 2 | 2 | 2 | 2 | 1 |
| Asia | 41 | 56 | 61 | 55 | 50 |
| Other* | 2 | 1 | 1 | 1 | 1 |
| Total | 166 | 162 | 165 | 160 | 150 |

* Middle East, Africa, and Oceania

f: forecast, AAFC, May 2001

Source: Statistics Canada

Prices

Canadian prices are determined on an export basis because Canada exports about 70% of its production. Therefore, they are highly sensitive to the value of the Canadian dollar in foreign markets. Average prices, over all three types, rose steadily during the 1990s until peaking at \$385 per tonne (/t) in 1997-1998. The average price decreased in the following 3 years and is forecast at \$265-285/t for 2000-2001. Prices of the yellow type are usually higher than for the brown and oriental types, however since yields of the yellow type are

CANADA: MUSTARD SEED SUPPLY AND DISPOSITION

| <i>August-July crop year</i> | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001f | 2001 -2002f |
|----------------------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|
| Harvested Area (thousand ha) | 292 | 279 | 273 | 208 | 123 |
| Yield (t/ha) | 0.83 | 0.86 | 1.12 | 0.97 | 0.98 |
|thousand tonnes..... | | | | | |
| Carry-in Stocks | 38 | 48 | 50 | 115 | 90 |
| Production | 243 | 239 | 306 | 202 | 120 |
| Imports | 2 | 1 | 1 | 1 | 1 |
| Total Supply | 283 | 288 | 357 | 318 | 211 |
| Exports | 166 | 162 | 165 | 160 | 150 |
| Total Domestic Use | 69 | 76 | 77 | 68 | 56 |
| Total Use | 235 | 238 | 242 | 228 | 206 |
| Carry-out stocks | 48 | 50 | 115 | 90 | 5 |
| Stocks-to-Use Ratio (%) | 20 | 21 | 48 | 39 | 2 |
| Average producer price (\$/t) | 385 | 350 | 285 | 265-285 | 320-350 |
| Harvested Area (thousand ac.) | 722 | 689 | 675 | 514 | 304 |
| Yield (lb/ac.) | 741 | 767 | 999 | 865 | 874 |
| Production (Mlb) | 536 | 527 | 675 | 445 | 265 |
| Average producer price (\$/lb) | 0.175 | 0.159 | 0.129 | 0.120 -0.129 | 0.145 -0.159 |

f: forecast, AAFC, May 2001

Source: Statistics Canada and Agriculture and Agri-Food Canada

usually lower, earnings per hectare tend to be similar for all three types over the long-term. Since there is no futures market for mustard seed, prices are negotiated directly between the producer, dealer, and customer based on supply and demand factors for each type of mustard seed. The prices negotiated could be for immediate delivery or for delivery at some future date.

OUTLOOK: 2001-2002

World

Due to lower production in Canada, world mustard seed production (excluding India, Pakistan, and Bangladesh) is forecast to decrease by 16% to 370,000 t. This would be the lowest production level since 1992-1993. Total supply is also forecast to decrease by 17% to 500,000 t.

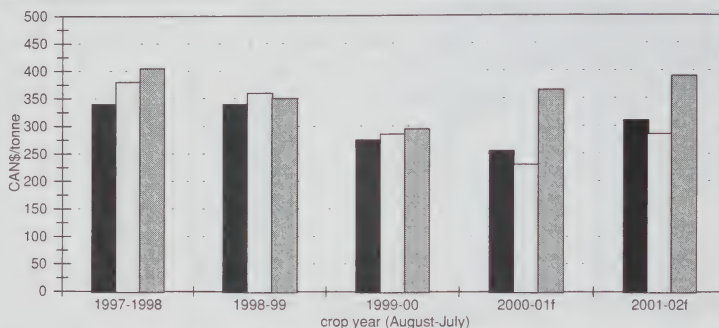
Canada

Area seeded is forecast to decrease sharply by 40%, according to Statistics Canada's seeding intentions survey which was conducted during the period of March 23-30, 2001 and released on April 24, 2001. The reasons for the expected decrease could include dry conditions in western Saskatchewan and Alberta during the survey period, as well as better expected financial returns for some alternative crops, such as spring wheat and chick peas.

Assuming normal abandonment rates and yields, production is also forecast to decrease by 40% to 120,000 t. Since the price of yellow mustard seed is significantly higher, both for current and 2001-2002 contract prices, compared to brown and oriental types, the largest decrease in production is forecast for the oriental and brown types, with a smaller decrease for the yellow type. Therefore, about 21% of the

production is expected to be the brown type, 33% the oriental type, and 46% the yellow type. Since the decrease in production is expected to be in Saskatchewan, that province's share of Canadian production is forecast to decrease to 79%, while Alberta's share increases to 17% and Manitoba's to 4%. Total supply is forecast to decrease by 34%. Carry-

MUSTARD SEED : AVERAGE PRODUCER PRICE (SASKATCHEWAN)



f: forecast, AAFC, May 2001
Source: AAFC

■ Brown □ Oriental ■ Yellow

in stocks for brown and oriental mustard seed are expected to be higher than for yellow mustard seed. However, since production of brown and oriental mustard seed is expected to drop more than for yellow mustard seed, the total supply is forecast to be tight for all three types. Therefore, exports and domestic use are forecast to decrease because of the lower supply. Carry-out stocks are forecast to decrease to a negligible level. The lower supply and strong demand are expected to support prices, with average prices increasing for all three types. Therefore, the average price, over all three types, is forecast to increase by about 22% to \$320-350/t, because of the lower supply and a shift to the production of the higher priced yellow type.

Seeding of mustard seed is underway, but many areas are still dry. Therefore, factors to watch include soil moisture conditions in the Canadian mustard seed growing areas, as well as Statistics Canada's actual seeded area report, which will be released on June 29, 2001.

For periodic updates on the situation and outlook for mustard seed, visit the Market Analysis Division Website for "Canada: Special Crops Situation and Outlook."

**For more information
please contact:**

**Stan Skrypetz,
Special Crops Analyst
Phone: (204) 983-8972
E-mail: skrypetz@em.agr.ca**

Market Analysis Division Website:

**[http://www.agr.ca/policy/
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500-303 Main Street
Winnipeg, Manitoba R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524
Editor: Gordon MacMichael
E-mail: macmichael@em.agr.ca**

**Director: Maggie Liu
Chief: Fred Oleson**

To receive a free e-mail subscription to the Bi-weekly Bulletin, please contact Blair Cantafio at cantafio@em.agr.ca

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B. CASH PRICES AND REPLACEMENT VALUES

As of Monday May 7, 2001

| PRAIRIE GRAINS | | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|----------------------|--------------------------|--------|-----------|----------|-----------|----------|
| SELECTED POINT | PRICE BASIS | | | | | |
| From: Thunder Bay 2 | In-Store | WHEAT | 145.50 | 141.60 | 133.50 | 133.00 |
| | | OATS | N/A | 127.46 | 129.33 | N/A |
| | | BARLEY | 129.80 | N/A | N/A | 113.20 |
| To: Bayports, Ont. | In-store | WHEAT | 168.60 | 164.70 | 162.62 | 156.10 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 156.95 | N/A | N/A | 140.35 |
| Montreal, Que. | In-store | WHEAT | 173.35 | 169.45 | 167.69 | 160.85 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 162.07 | N/A | N/A | 145.47 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 195.82 | 191.92 | 190.06 | 183.32 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 188.43 | N/A | N/A | 171.83 |
| Truro, N.S. | Truck via Halifax | WHEAT | 193.32 | 189.42 | 187.56 | 180.82 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 183.55 | N/A | N/A | 166.95 |
| Halifax, N.S. | In-store | WHEAT | 180.65 | 176.75 | 174.89 | 168.15 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 169.87 | N/A | N/A | 153.27 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 240.43 | 236.53 | 228.43 | 227.93 |
| | | OATS | N/A | 233.66 | 235.53 | N/A |
| | | BARLEY | 236.94 | N/A | N/A | 220.34 |
| From: Melfort, Sask. | FOB | WHEAT | 135.50 | 135.60 | 127.50 | 120.00 |
| | | OATS | N/A | 110.46 | 111.23 | 104.58 |
| | | BARLEY | 120.80 | 122.00 | 118.80 | 101.70 |
| To: Bayports, Ont. | Track | WHEAT | 191.62 | 191.72 | 183.62 | 176.12 |
| | | OATS | N/A | 169.33 | 170.10 | 163.45 |
| | | BARLEY | 174.19 | 175.39 | 172.19 | 155.09 |
| Montreal, Que. | Track | WHEAT | 192.37 | 192.47 | 184.37 | 176.87 |
| | | OATS | N/A | 170.23 | 171.00 | 164.35 |
| | | BARLEY | 175.01 | 176.21 | 173.01 | 155.91 |
| Moncton, N.B. | Track | WHEAT | 213.55 | 213.65 | 205.55 | 198.05 |
| | | OATS | N/A | 193.57 | 194.34 | 187.69 |
| | | BARLEY | 187.12 | 188.32 | 185.12 | 168.02 |
| Truro, N.S. | Track | WHEAT | 213.72 | 213.82 | 205.72 | 198.22 |
| | | OATS | N/A | 194.54 | 195.31 | 188.66 |
| | | BARLEY | 200.74 | 201.94 | 198.74 | 181.64 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 257.06 | 257.16 | 249.06 | 241.56 |
| | | OATS | N/A | 241.92 | 242.69 | 236.04 |
| | | BARLEY | 249.03 | 250.23 | 247.03 | 229.93 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|-----------|----------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 122.06 | 118.35 | 128.00 | 141.06 |
| To: Montreal, Que. (US Corn) | In-store | | 140.96 | 137.25 | 153.54 | 159.96 |
| From: Saginaw (Mi) | Track | | 117.23 | 109.25 | 119.40 | 132.21 |
| To: Montreal, Que. (US Corn) | Track | | 144.77 | 136.79 | 146.94 | 159.75 |
| From: Chatham | Track | | 131.88 | 129.62 | 133.56 | 128.44 |
| To: Montreal, Que. | Track | | 154.77 | 152.51 | 156.45 | 151.33 |

| | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--------|--------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | |
| From: Hamilton, Ont. | | | 290.35 | 282.63 | 292.66 | 318.45 |
| To: Montreal, Que. | Track | | 312.82 | 305.10 | 315.13 | 340.92 |
| Moncton, N.B. | Track | | 330.13 | 322.41 | 332.44 | 358.23 |
| Truro, N.S. | Track | | 333.10 | 325.38 | 335.41 | 361.20 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 382.36 | 374.64 | 384.67 | 410.46 |

- Prices include one month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

May 25, 2001 Volume 14 Number 9

ETHANOL

The fuel ethanol industry is an important market for North American grains, particularly corn which is the primary feedstock used in ethanol production. The economics of ethanol production improved significantly during the latter part of 2000 due to a combination of relatively low commodity prices, record high crude oil prices, and advances in production technologies. In both the United States (U.S.) and Canada, concerns about environmental issues and the need for sustainable energy sources continue to be primary considerations in the long-term prospects for the ethanol industry. This issue of the *Bi-weekly Bulletin* examines developments in the ethanol industry and the implications for the agricultural sector.

Background

The origins of ethanol as fuel for automobiles go back to the early days of the Ford Model-T car, however, ethanol production virtually stopped during the prohibition years. It was during the early 1970s that ethanol re-emerged and began to gain favour in the U.S., which, at the time, was heavily reliant on crude oil imports and experiencing fuel shortages. In response, the U.S. Congress, under the first U.S. *Clean Air Act* established a federal ethanol program in 1979 to encourage the production of fuel from domestic, renewable energy sources such as corn. The program allows gasoline marketers who blend their fuel with ethanol to claim a gasoline tax exemption of 54 cents for each gallon of ethanol that is blended into qualifying gasohol.

In Canada, the first commercial venture into renewable fuels was the 1980 renovation of an idled distillery in Minnedosa, Manitoba by Mohawk Oil Company Ltd. for the production of wheat-based ethanol. The Minnedosa plant currently uses about 27,000 tonnes (t) of grain annually, most of which is wheat in the following proportions: Canada Prairie Spring wheat, 50%; durum and extra strong wheat, 30%; and winter wheat, 10%. Less than 10% of the total grain

used at this plant is non-wheat, most of which is corn. Small amounts of rye and triticale are used for ethanol production.

Since 1980, Canada's ethanol industry has expanded from 1 plant producing 10 million litres (ML) of ethanol, to 4 plants capable of producing 238 ML of various grades of ethanol annually. This equates to about 600,000 t of corn, or about 8% of Canada's annual corn production. Canada's ethanol industry is currently concentrated in Ontario, its major corn growing province. Commercial Alcohols Inc.'s Chatham plant, which started operations in late 1997, is the largest in Canada and employs 65 people, producing about 150 ML of ethanol annually. This highly automated and energy efficient plant also produces 125,000 t of dried distillers grains and 100,000 t of compressed, food-grade carbon dioxide annually.

As global corn prices declined during the 1980s, U.S. legislators saw ethanol production as a means of increasing domestic corn use and helping to stabilize farm incomes. From an environmental standpoint, ethanol use in automobiles has helped to reduce carbon monoxide

emissions, as mandated by the U.S. *Clean Air Act* of 1990.

In Canada, fuel ethanol is an important market for Canadian grains, and any increases in ethanol production are seen as beneficial to the agricultural sector and rural communities, as well as the environment.

Did you know?

- corn grown in Illinois is used to produce 40% of the ethanol consumed in the U.S.;
- more than 95% of the gasoline sold in the Chicago area contains 10% ethanol;
- it is virtually impossible for ethanol to contaminate drinking water because it biodegrades easily and quickly;
- the use of ethanol fuels reduces particulate matter emissions (when blended with diesel fuel), carbon monoxide, and greenhouse gases that cause global warming;
- ethanol use enhances engine performance by increasing octane and raising oxygen levels, cleaning and preventing engine deposits, and acting as a gas-line antifreeze.

Canada 

The Government of Canada has granted an excise tax exemption of 10 cents per litre (¢/L) on ethanol that is blended with gasoline as a means of encouraging its production and use. In addition, "Fleetwise" is a federal initiative aimed at reducing automobile pollution, and it involves a phased-in approach for increasing the use of alternative fuels such as ethanol. This includes integrating environmental considerations and sound management practices in the operation of the government's fleet of motor vehicles, including the acquisition of alternative fuel vehicles. In addition to the federal initiatives, several Canadian provinces provide varying levels of road tax exemptions which help ethanol-blended fuels compete with regular gasoline. Ontario, for example, waives its 14.7¢/L provincial fuel tax for the ethanol portion of ethanol-blended fuels.

Globally, the demand for alcohol-based fuels is estimated at 27 billion litres (GL) per year, which is equivalent to about 4% of world grain production. Brazil, for example, is a world leader in the use of fuel ethanol and the majority of its cars operate on either a 95% or a 24% ethanol-blended gasoline. Responding to the oil crisis of the 1970s, the Brazilian government, in cooperation with private industry, created a national program to produce alcohol from sugar cane and to build engines designed to run on nearly pure ethanol. More recently, the largest growth has been in the use of lower ethanol-blended gasolines, due largely to higher sugar cane prices.

The Economics of Ethanol Production

The feasibility of ethanol production depends on several factors. A major consideration with any new construction or expansion is the huge capital investment in plant and equipment. However, as with most capital-intensive industries, there are economies of scale to be exploited which, combined with technological advances, have helped reduce the cost of ethanol production at some plants by as much as 50% during the past decade. As well, the cost of feed stock and the price of ethanol relative to other, non-renewable sources of

energy are critical to determining the feasibility of ethanol production.

In terms of benefits to the economy, the ethanol industry provides jobs for the residents of smaller, rural communities where the plants are often located. The United States Department of Agriculture (USDA) estimates that a 100 million gallons (Mgal.) plant creates about 2,500 direct and indirect jobs.

Ethanol is an important value-added market for U.S. farmers. As the third largest use of corn behind feed and exports, the ethanol industry uses about 7% of the U.S. annual corn crop, which was 10 billion bushels in 2000-2001. A 1997 study commissioned for the Midwestern Governors' Council concluded that ethanol use increased net farm income by US\$4.5 billion, improved the U.S. trade balance by US\$2 billion, and resulted in net savings of US\$3.6 billion in the federal budget. In addition, for every 100 million bushels (Mbu) of corn that are used in ethanol production, the price of all corn (including Canadian) is estimated to increase about US\$0.15 per bushel (/bu).

Ethanol competes directly with fossil fuels. In the past, critics of ethanol have cited high production costs relative to gasoline as its major drawback, without taking into account large government subsidies to the oil and gas industry. In a recent U.S. General Accounting Office (GAO) report, the Joint Committee on Taxation (JCT) estimated subsidies to the oil and gas

industry at about US\$54 billion over the past 20 years. For the same period, subsidies to the ethanol industry have been estimated by the JCT at US\$8 billion.

In Canada, the estimated cost of ethanol production from grain ranges between CAN\$0.35 and CAN\$0.45/L, which is significantly higher than the refinery-gate price of gasoline. However, with larger and more efficient plants either being planned or recently having come into operation, ethanol is becoming closer to being price-competitive with gasoline. Similar to the situation in the U.S., the refinery-gate price of gasoline in Canada reflects the subsidies government provides in the form of tax write-offs for exploration expenses, and the government's contribution to mega-projects such as Hibernia and the Alberta Tar Sands.

There are other considerations when assessing the relative value of ethanol. These include the environmental and societal costs of burning regular gasoline. Currently, the highest economic value of ethanol is as a replacement for some of the octane enhancers which are considered a serious health risk. Benzene is one of those enhancers used in gasoline and it is a known carcinogenic.

Another consideration is that there are virtually no waste products in the production of ethanol, especially from feedstocks such as corn. One bushel of

CANADA: ETHANOL PRODUCTION PLANTS

OPERATING

| Producer | Location | Capacity (million litres) | Commodity Base |
|------------------------------|-----------------------|------------------------------|------------------|
| API Grain Processors | Red Deer, Alberta | 26 | wheat |
| Commercial Alcohols Inc. | Tiverton, Ontario | 23 | corn |
| Commercial Alcohols Inc. | Chatham, Ontario | 150 | corn |
| Mohawk Oil, Canada, Ltd. | Minnedosa, Manitoba | 10 | wheat |
| Pound-Maker Agventures, Ltd. | Lanigan, Saskatchewan | 12 | wheat |
| Tembec Inc. | Temiscaming, Quebec | 17 | forestry product |

PLANNED OR UNDER CONSTRUCTION

| Producer | Location | Capacity (million litres) | Commodity Base |
|-------------------------------|-------------------|------------------------------|----------------|
| Commercial Alcohols Inc. | Varenes, Quebec | 150 | corn |
| Commercial Alcohols Inc. | Chatham, Ontario | 150 * | corn |
| Seaway Grain Processors, Inc. | Cornwall, Ontario | 66 | corn |

* expected from expansion

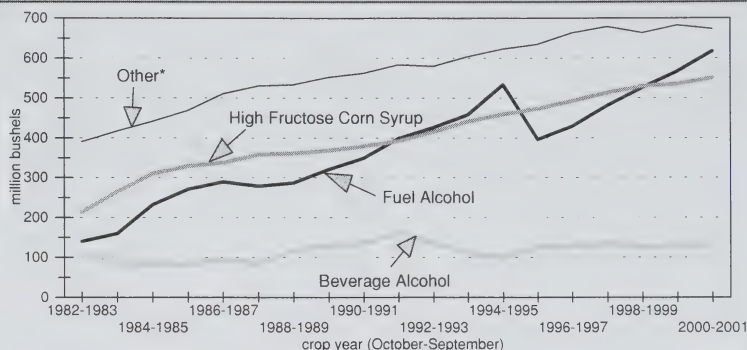
Source: Canadian Renewable Futures Association

corn yields between 10 to 11L of ethanol and several valuable co-products, depending on the milling process. Dried distillers grains, a high-energy animal food ingredient, and carbon dioxide, which is used by the food and beverage industry, are two co-products of the dry milling process. The dry milling process has lower production costs and higher ethanol yields, although the co-products tend to be of lower value. The wet milling process compensates for a slightly lower ethanol yield with higher-valued co-products such as sweeteners, corn oil, gluten feed and gluten meal. The choice between the two technologies is dependent on many factors, but the main consideration is the size of the plant. For very large plants, the economics of production favour wet milling. In Canada, due to market conditions, plants tend to be smaller, and dry milling technology predominates in this country.

In terms of an energy balance, or on a "comprehensive life cycle basis", ethanol contains about twice the amount of energy required to produce it. This includes the energy used to produce the various inputs of production such as fertilizer and pesticides, the fuel costs associated with grain production, and the cost of transporting grain from the farm to the ethanol plant, and from the ethanol plant to the retailer. Ethanol yields an estimated 26,575 British thermal units (BTU) of energy per litre (BTU/L), and there are about 3,720 BTU of energy in the co-products of ethanol production, which brings the total energy value to 30,290 BTU. There are about 4,700 BTU of energy required to produce the amount of corn required for 1 litre of ethanol, and 13,300 BTU to process the corn into ethanol, which leaves a net gain of 16,990 BTU/L of ethanol.

The use of petroleum-derived energy in the production and transportation of inputs for ethanol production is more than offset by the solar energy captured through the process of photosynthesis. This positive energy balance is expected to improve as crop and ethanol production processes become more efficient. In the U.S., the ratio of energy content to energy required to produce ethanol is slightly lower than in Canada due to a heavier reliance on irrigation which itself consumes energy and increases the costs of production.

U.S. CORN: FOOD, SEED, AND INDUSTRIAL USE



* Other includes: glucose and dextrose, starch, seed, and cereals and other products.
Source: USDA

Historical data show that global and domestic prices for corn and other grains, adjusted for inflation, have trended downward since 1950. If real grain prices continue to trend downward, and if developed countries increase their dependence on crude oil from remote and/or expensive sources, fuel ethanol will become more price-competitive with gasoline.

Canada is more self-sufficient in energy sources than the U.S., but it has become more dependent on imported crude oil in recent years, importing up to 82 ML of light crude per day. These imports represent billions of dollars flowing out of the Canadian economy annually that might be invested domestically, creating more job opportunities for Canadians. Additional benefits to be derived from increased ethanol production are the valuable co-products such as distillers grain that can be substituted for the imports of high-protein livestock feed ingredients valued at about CAN\$200M annually.

Ethanol as an Oxygenate

The *Energy Policy Act of 1992* legislated oil companies to add an oxygenate to their fuels as a further means of reducing exhaust emissions. Oxygenates have been used to boost octane levels since leaded gasoline was phased out due to the health risks associated with lead in automobile fuel. Now, ethanol is increasingly being used in place of other oxygenates, some of which have less-than-desirable effects on the environment. They are: methanol, which is a derivative of natural gas; Methyl Tertiary Butyl Ether (MTBE), which is made by combining methanol and isobutylene;

Ethyl Tertiary Butyl Ether (ETBE), which is a combination of ethanol and isobutylene; and Tertiary Amyl Methyl Ether (TAME) and Tertiary Amyl Ether Ether (TAE), which are complex methyl and ethyl ethers, both with similar characteristics to MTBE and ETBE. The U.S. Environmental Protection Agency has supported major reductions in the use of MTBE in order to protect drinking water supplies.

Ethanol Production

In the U.S., there are about 60 ethanol plants with a total productive capacity of about 1.8 billion gallons (Ggal.). During the 1980s, Archer Daniels Midland (ADM) dominated the ethanol industry, accounting for about 75% of the nation's ethanol output. By 1997, ADM's share dropped to about half, but it is by far the largest producer with an annual capacity of about 0.75 Ggal., followed by Minnesota Corn Processors, Midwest Grain, Cargill, and Williams Energy Services, each with about 0.1 Ggal. capacity. ADM's ethanol plants are located in Iowa and Illinois which, together with Nebraska and Minnesota, account for more than half of U.S. corn production and 95% of total domestic ethanol production. For 2000, U.S. ethanol production is estimated at 1.6-1.7 Ggal., up from 1.47 Ggal. in 1999, but still slightly below capacity.

At the state level, **Illinois** leads in the production and use of ethanol-blended gasoline. With annual production at more than 730 Mgal., nearly half of the gasoline sold in Illinois contains 10% ethanol. Illinois is also taking the lead with the introduction and operation of one of the largest fleets of flexible fuel vehicles

(FFV), which are designed to run on E85, regular unleaded gasoline, or any combination thereof. E85 is a blend of 85% ethanol and 15% gasoline, and has been touted as an effective way to increase the use of ethanol in automobiles and to eliminate harmful emissions. **Iowa** is the second largest ethanol producing state with 430 Mgal. produced annually but it only uses about 15% of that production, exporting the rest to other states. **Minnesota** legislators are looking to secure \$30 million worth of state funding over the next five years to install E85 pumps at many of the state's gasoline stations. The plan would offer gas station owners matching grants of up to \$20,000 to install the E85 stations. Stations that have already installed E85 pumps would receive a tax exemption for the equipment they have purchased. The plan would also require Minnesota officials to purchase FFVs for their fleets whenever that option becomes available.

In **Canada**, annual production of ethanol is currently about 238 ML (62.9 USMgal.) and this total includes fuel, industrial and beverage grades of alcohol. More than half of that total is produced at the Commercial Alcohols Inc. plant in Chatham. The company plans to double capacity at the Chatham plant to 300 ML and, in addition, plans to build a \$100 million ethanol plant in Varennes, Quebec. When fully operational, the Varennes plant is expected to employ 50 full-time employees and produce 120ML of fuel grade ethanol. The ethanol produced at the Varennes plant will be blended with gasoline and, for the first time, it will be sold at Petro-Canada stations throughout Quebec. Petro-Canada joins retailers Sunoco Inc. in Ontario, and Husky Energy Inc. in western Canada, as a major marketer of ethanol blends of gasoline in Canada. Once all proposed Canadian plants are fully operational, which would be sometime in 2002, Canada's ethanol production is expected to be about 675 ML annually.

On the basis of population, Canada's current ethanol production lags that of the U.S. However, with the proposed expansion in plant ethanol capacity, Canada's ethanol production-to-population ratio is expected to fall more in line with that of the U.S. Canada currently has one station dispensing E85 and it is located in Ottawa. This station is operated by Natural Resources Canada and provides

E85 fuel for a fleet of government vehicles.

Looking to the Future

A study commissioned by the Governors' Ethanol Coalition for the Renewable Fuels Association concluded that the **U.S.** ethanol industry could produce, if required, up to 3.5 Ggal. annually by 2004. The industry expects to easily meet any additional demand for ethanol resulting from the anticipated phase-out of the gasoline additive MTBE. The study also concluded that replacing MTBE with ethanol would increase the price of corn by about US\$0.14/bu, and increase household income in the agricultural sector by about US\$2 billion.

In November 2000, the U.S. government announced a \$300 million program aimed at expanding production of ethanol and other alternative source fuels. Under the two-year program, the USDA will make cash payments to bioenergy companies that increase their use of corn, soybeans and other commodities in the production of ethanol, biodiesel and other biofuels. The program is seen as a good way to use up surplus grain supplies.

For December 2000, the USDA reported record high corn use for ethanol production. At the same time, carry-in stocks of ethanol decreased as relatively high MTBE prices encouraged the use of ethanol as a substitute for MTBE in oxygenated and reformulated gasoline. Although MTBE production could recover with expected lower natural gas prices in 2001, demand for ethanol should remain strong. This is in part due to the Bioenergy Program which provides incentives for companies to increase ethanol production in order to meet proposed clean air requirements. About two-thirds of the 60 companies that produce ethanol have committed to increasing ethanol production which should increase total production by about 246 Mgal.

In the U.S., new ethanol plant construction is currently concentrated in the upper midwest, namely Iowa, Minnesota and South Dakota, where corn prices are reasonably attractive to the industry. There are plants with a combined capacity of 75 Mgal. either being built or in the planning stage. For 2000-2001, the use of corn for ethanol production is estimated to increase by

9%, from the 566 Mbu used in 1999-2000.

In **Canada**, the construction of biomass-based ethanol plants is encouraged under the *Government of Canada Action Plan 2000 on Climate Change* announced in October 2000. This five-year initiative could enable as much as 25% of Canada's total gasoline supply to contain 10% ethanol, a blend that is readily used in all cars.

A recent study commissioned by Agriculture and Agri-Food Canada has concluded that 10% ethanol blends derived from corn in southern Ontario reduced greenhouse gases (GHG) by 230,000 t per year. If the industry were to expand production to 1 GL of ethanol per year, the total GHG reductions would be about 1.47 Mt in carbon dioxide equivalents. For the transportation sector, this represents a significant reduction in GHG of 7%.

For more information:

Stan Spak,
Market Analyst
Phone (204) 983-8467
E-mail: spaks@em.agr.ca

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| As of Monday May 21, 2001 | | | | | | | | | | | | | | | | | |
|---|------------------|-------------|--------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | |
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL-FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
| Vancouver B.C. | This week | FOB | 147.66 | N/A | 145.66 | 160.00 | | 321.50 | (7) 244.75 | 135.00 | 270.00 | (4) 825.00 | 355.00 | | | | 390.00 |
| | Week ago | | 146.16 | N/A | 145.66 | 162.00 | | 318.00 | (7) 247.50 | 135.00 | 270.00 | (4) 825.00 | 355.00 | | | | 400.00 |
| Calgary Alta | This week | FOB | 124.50 | 105.00 | 122.50 | 154.00 | | 314.50 | 179.00 | | 220.00 | (4) 875.00 | 400.00 | | | | 390.00 |
| | Week ago | | 123.00 | 105.00 | 122.50 | 154.00 | | 308.00 | 179.00 | | 220.00 | (4) 875.00 | 400.00 | | | | 400.00 |
| Saskatoon | This week | FOB | 126.50 | 115.00 | 115.00 | 136.00 | | 307.00 | 226.00 | | 230.00 | (4) N/A | 400.00 | | 153.00 | | 420.00 |
| | Week ago | | 126.50 | 115.00 | 115.00 | 135.00 | | 298.00 | 230.00 | | 230.00 | (4) N/A | 400.00 | | 153.00 | | 420.00 |
| Melfort Sask. | This week | FOB | 125.50 | 108.04 | 126.50 | | | | | | | | | | | | |
| Winnipeg | Week ago | | 127.80 | 106.61 | 121.50 | | | | | | | | | | | | |
| Man. | This week | FOB | 111.35 | 113.48 | 117.00 | 120.00 | | 291.00 | 216.00 | | 275.00 | (4) 790.00 | 390.00 | | | | 380.00 |
| | Week ago | | 110.15 | 110.75 | 111.60 | 124.00 | | 282.00 | 220.00 | | 275.00 | (4) 790.00 | 390.00 | | | | 400.00 |
| Thunder Bay | This week | In-store | 136.50 | 125.99 | 134.50 | | | | | | | | | | | | |
| Ont. | Week ago | | 138.80 | 124.65 | 129.50 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 119.34 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 117.18 | | | | | | | | | | | |
| Bay Ports | This week | In-store | 160.50 | 198.00 | 169.00 | | | | | | | | | | | | |
| Ont. | Week ago | | 158.80 | 198.00 | 165.00 | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 125.49 | | | | | | | | | | | |
| Ont. | Week ago | | | | | 125.19 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 276.00 | (5) N/A | 415.00 | 445.00 | 129.00 | 225.00 | 300.00 |
| Ont. | Week ago | | | | | | | | | | 276.00 | (5) N/A | 415.00 | 445.00 | 129.00 | 225.00 | 300.00 |
| Hamilton | This week | N/A | | | | | FOB | 301.59 | N/A | | | | | | | | |
| Ont. | Week ago | | | | | | | 287.48 | N/A | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 133.49 | | | | | | | | | | | |
| Ontario | Week ago | | | | | 132.95 | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | FOB | 316.88 | 240.74 | 117.33 | 276.00 | (5) 770.00 | 254.00 | 445.00 | 131.00 | 230.00 | 350.00 |
| Que. | Week ago | | | | | | | 305.86 | 238.86 | 115.33 | 276.00 | (5) 770.00 | 254.00 | 445.00 | 131.00 | 230.00 | 350.00 |
| Trois-Riv. Que. | This week | In-store | 165.50 | | 166.50 | 139.66 | | | | | | | | | | | |
| Que. | Week ago | | 168.80 | | 161.50 | 138.58 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | 166.33 | 126.67 | 154.75 | (2) 133.36 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | 168.77 | 126.00 | 153.40 | (2) 132.28 | | | | | | | | | | | |
| Quebec | This week | In-store | 166.00 | | 166.00 | 143.86 | FOB | 316.84 | | | | | | | | | |
| Que. | Week ago | | 169.03 | | 161.77 | 141.20 | | 304.68 | | | | | | | | | |
| Truro | This week | Track | 194.47 | 191.02 | 190.42 | 176.20 | FOB | 338.02 | 261.51 | | 312.50 | | 375.00 | | | | 350.00 |
| N.S. | Week ago | | 195.40 | 191.02 | 187.42 | 175.95 | | 331.52 | 258.14 | | 314.28 | | 375.00 | | | | 350.00 |
| Truro | This week | Water | N/A | N/A | N/A | 173.20 | | | | | | | | | | | |
| N.S. | Week ago | & Truck | N/A | N/A | N/A | 173.40 | | | | | | | | | | | |
| Halifax | This week | In-store | N/A | N/A | N/A | 164.20 | FOB | | | 291.50 | | (5) 725.00 | | | | | |
| N.S. | Week ago | | N/A | N/A | N/A | 164.40 | | | | 291.50 | | (5) 750.00 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1,000=Cdn \$1,530 as of May 18, 2001

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat . No.1 Feed Oats . No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn . No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk bins. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein . Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

| B. CASH PRICES AND REPLACEMENT VALUES | | | | As of Monday May 21, 2001 | | | | |
|---------------------------------------|---------------------|--------------------------|--------|---------------------------|----------|----|-----------|----------|
| PRAIRIE GRAINS | | | | | | | | |
| SELECTED POINT | | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: | Thunder Bay 2 | In-Store | WHEAT | 136.50 | 138.80 | | 136.00 | 132.30 |
| | | | OATS | 125.99 | 124.65 | | 128.35 | N/A |
| | | | BARLEY | 134.50 | 129.50 | | N/A | 109.70 |
| To: | Bayports, Ont. | In-store | WHEAT | 159.60 | 161.90 | 1. | 159.10 | 155.40 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 161.65 | 156.65 | 1. | N/A | 136.85 |
| | Montreal, Que. | In-store | WHEAT | 164.35 | 166.65 | 1. | 163.85 | 160.15 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 166.77 | 161.77 | 1. | N/A | 141.97 |
| | Moncton, N.B | Truck via Halifax | WHEAT | 186.82 | 189.12 | | 186.32 | 182.62 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 193.13 | 188.13 | | N/A | 168.33 |
| | Truro, N.S. | Truck via Halifax | WHEAT | 184.32 | 186.62 | | 183.82 | 180.12 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 188.25 | 183.25 | | N/A | 163.45 |
| | Halifax, N.S. | In-store | WHEAT | 171.65 | 173.95 | 1. | 171.15 | 167.45 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 174.57 | 169.57 | 1. | N/A | 149.77 |
| | Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 231.43 | 233.73 | | 230.93 | 227.23 |
| | | | OATS | 232.19 | 230.85 | | 234.55 | N/A |
| | | | BARLEY | 241.64 | 236.64 | | N/A | 216.84 |
| From: | Melfort, Sask. | FOB | WHEAT | 125.50 | 127.80 | | 132.00 | 119.80 |
| | | | OATS | 108.04 | 106.61 | | 111.34 | 103.44 |
| | | | BARLEY | 126.50 | 120.50 | | 121.60 | 102.70 |
| To: | Bayports, Ont. | Track | WHEAT | 181.62 | 183.92 | | 188.12 | 175.92 |
| | | | OATS | 166.91 | 165.48 | | 170.21 | 162.31 |
| | | | BARLEY | 179.89 | 173.89 | | 174.99 | 156.09 |
| | Montreal, Que. | Track | WHEAT | 182.37 | 184.67 | | 188.87 | 176.67 |
| | | | OATS | 167.81 | 166.38 | | 171.11 | 163.21 |
| | | | BARLEY | 180.71 | 174.71 | | 175.81 | 156.91 |
| | Moncton, N.B. | Track | WHEAT | 203.55 | 205.85 | | 210.05 | 197.85 |
| | | | OATS | 191.15 | 189.72 | | 194.45 | 186.55 |
| | | | BARLEY | 192.82 | 186.82 | | 187.92 | 169.02 |
| | Truro, N.S. | Track | WHEAT | 203.72 | 206.02 | | 210.22 | 198.02 |
| | | | OATS | 192.12 | 190.69 | | 195.42 | 187.52 |
| | | | BARLEY | 206.44 | 200.44 | | 201.54 | 182.64 |
| | Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 247.06 | 249.36 | | 253.56 | 241.36 |
| | | | OATS | 239.50 | 238.07 | | 242.80 | 234.90 |
| | | | BARLEY | 254.73 | 248.73 | | 249.83 | 230.93 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 119.34 | 117.18 | | 122.13 | 136.57 |
| To: Montreal, Que. (US Corn) | In-store | | 138.24 | 136.08 | 1. | 141.03 | 155.47 |
| From: Saginaw (Mi) | Track | | 111.50 | 111.08 | | 113.01 | 130.10 |
| To: Montreal, Que. (US Corn) | Track | | 139.04 | 138.62 | | 140.55 | 157.64 |
| From: Chatham | Track | | 125.49 | 125.19 | | 131.10 | 127.16 |
| To: Montreal, Que. | Track | | 148.38 | 148.08 | | 153.99 | 150.05 |

| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 301.59 | 287.48 | | 289.68 | 330.55 |
| To: Montreal, Que. | Track | | 324.06 | 309.95 | | 312.15 | 343.02 |
| Moncton, N.B. | Track | | 341.37 | 327.26 | | 329.46 | 360.33 |
| Truro, N.S. | Track | | 344.34 | 330.23 | | 332.43 | 363.30 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 393.60 | 379.49 | | 381.69 | 412.56 |

1. Prices include one month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

June 15, 2001 Volume 14 Number 10

BARLEY

For 2001-2002, world feed barley prices are expected to remain similar to 2000-2001 due to a continuation of high world coarse grain supplies. In Canada, average yields are expected to be lower than last year due to dry soil moisture conditions in Alberta and western Saskatchewan and domestic feed barley prices are expected to increase slightly from 2000-2001. Malting barley prices are expected to be marginally lower than in 2000-2001 due to increased world supplies, with two-row malting barley prices expected to decline more than six-row malting barley prices. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for barley.

DEVELOPMENTS IN THE CANADIAN BARLEY INDUSTRY

The Canadian barley market has undergone significant changes throughout the 1990s as producers have diversified in response to low international prices, foreign subsidies, and increased rail freight rates to export markets. Domestic feeding of barley has increased while exports of feed barley have declined, and exports of processed malt and malting barley have increased due to growing international demand. The trends of expansion of the domestic livestock sector and increasing malting barley exports are expected to continue over the next decade.

Domestic barley feeding has increased from 7.3 million tonnes (Mt) in 1990-1991 to 10.1 Mt expected for 2000-2001. Domestic feed use now represents about 75% of all barley produced in Canada, compared with about 55% in 1990-1991. Much of the growth in domestic feed barley demand has come from the cattle industry, as cattle inventories in western Canada have increased from 7.3 million head (Mhd) on January 1, 1990, to 9.3 Mhd on January 1, 2001. The hog industry in western Canada has also expanded, with total hog inventories increasing from 4.0 Mhd to 4.9 Mhd over the same period.

Canadian malting barley markets have approximately doubled over the past decade. Exports of malting barley have grown from 0.6 Mt in 1990-1991 to a level of 1.3 Mt expected for 2000-2001, while exports of

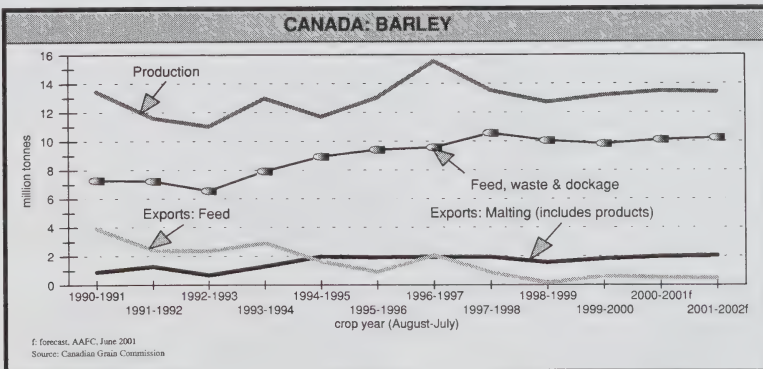
processed malt have expanded from 0.3 Mt to about 0.7 Mt (in grain equivalent) over that period. Canadian exports of malting barley are now greater than exports of feed barley, as exports of feed barley have declined significantly. Feed barley exports in 1990-1991 were 3.9 Mt and accounted for nearly 30% of production. Feed barley exports are forecast to account for less than 5% of production in 2001-2002, at about 0.5 Mt.

FEED BARLEY: 2000-2001 SITUATION

World corn prices strongly influence the price of barley, as corn represents about 70% of world coarse grain production. In 2000-2001, world corn prices have remained at very low levels as the United States (U.S.) had one of the largest corn crops on record, slow export sales, and a stocks-to-use ratio of about 20%. This ratio compares with the ten year average

of about 16% and the ten year low of 5% in 1995-1996. Although coarse grain prices have been low, the premium for barley over corn in world markets has remained near historical highs. Drought in the Middle East and North Africa, tightening world stocks of barley, and the lack of export subsidies by the European Union (EU) have supported feed barley prices.

In Canada, domestic feed barley prices increased from 1999-2000 and have been strong relative to the world market, as drought in southern Alberta and southwestern Saskatchewan reduced production. Domestic feed demand has remained strong while exports of feed barley have remained low due to the relatively strong domestic market. Carry-out stocks are forecast to increase marginally from 1999-2000.



CANADA: BARLEY SEEDED AREA BY VARIETY

| | MANITOBA | | | SASKATCHEWAN | | | ALBERTA | | | TOTAL PRAIRIES | | |
|--------------------|-------------------------------|---------------|----------------|---------------|---------------|----------------|---------------|---------------|----------------|----------------|---------------|----------------|
| | 1999 -2000 | 2000 -2001 | 2001 -2002f | 1999 -2000 | 2000 -2001 | 2001 -2002f | 1999 -2000 | 2000 -2001 | 2001 -2002f | 1999 -2000 | 2000 -2001 | 2001 -2002f |
| | thousand hectares | | | | | | | | | | | |
| Two-Row Designated | 57 | 92 | 90 | 903 | 1,057 | 1,094 | 713 | 951 | 974 | 1,673 | 2,099 | 2,159 |
| Six-Row Designated | 236 | 282 | 276 | 375 | 557 | 495 | 100 | 85 | 68 | 710 | 925 | 839 |
| Feed | 100 | 95 | 93 | 385 | 407 | 433 | 1,063 | 1,127 | 1,201 | 1,548 | 1,628 | 1,728 |
| Hulless | 36 | 37 | 37 | 57 | 43 | 41 | 46 | 22 | 23 | 139 | 103 | 101 |
| Total | 429 | 506 | 496 | 1,720 | 2,064 | 2,063 | 1,922 | 2,185 | 2,266 | 4,071 | 4,755 | 4,826 |

f: AAFC forecast, June 2001

Source: 2000-2001 Canadian Wheat Board Variety Survey and Statistics Canada

The provisional duty on imports of U.S. corn into western Canada imposed by the Canada Customs and Revenue Agency in November 2000 did not have a significant impact on domestic barley prices. Although feed barley prices increased over the year, the increase appears to have been related to the drought in southern Alberta, as well as price movements on world coarse grain markets. The duty was removed on March 7, 2001 and prices have remained at levels similar to those seen while the duty was in place.

In 2000-2001, the **EU** had very good barley yields, with production increasing to 52 Mt from 49 Mt in 1999-2000. However, domestic consumption increased and EU carry-out stocks decreased for the second consecutive year. The effect of the outbreak of Foot and Mouth disease (FMD) in the EU on feed requirements is not yet clear. Restricted livestock movement and reduced commercial slaughter as a result of FMD may have increased EU feed demand in the short term, however, livestock has been slaughtered to control the disease, possibly offsetting the increase.

EU export subsidies were not used in 2000-2001 (June-May) due to weakness in the value of the European currency against the U.S. dollar, budget restrictions, and increased domestic demand. Government expenses related to mad cow disease and FMD used up part of the EU agricultural budget, and the EU had to provide emergency funding to help address the situation. Subsidy limits under World Trade Organization commitments were also a consideration, as well as preparation for expansion of the EU.

Australian barley production also increased considerably in 2000-2001, as area seeded to barley increased from 1999-2000. The increased production provided Australia with increased exportable supplies. However, lower EU exports more than offset the increase in Australian exports, and helped world feed barley prices to remain at a

significant premium to corn.

World barley trade is forecast by the United States Department of Agriculture (USDA) at about 18 Mt, slightly lower than 1999-2000. Saudi Arabia and Japan continue to be the main importers of feed barley, with barley imports estimated at 5.0 Mt and 1.6 Mt, respectively.

World barley prices have increased slightly from 1999-2000, with Pacific Northwest U.S. feed barley prices averaging about US\$110 per tonne (/t) to-date, compared to

US\$105/t in 1999-2000. Domestically, the price of feed barley (No. 1 Canada Western (CW) delivered Lethbridge) has averaged about \$125/t, up from \$110/t in 1999-2000. The Canadian Wheat Board Pool Return Outlook (CWB PRO) for No.1 CW Feed Barley for 2000-2001 is currently \$141/t in-store Vancouver/St. Lawrence (l/S VC/SL), up from \$135/t in 1999-2000.

FEED BARLEY: 2001-2002 OUTLOOK

In 2001-2002, coarse grain prices are expected to remain similar to 2000-2001 as

CANADIAN WHEAT BOARD PRODUCER PRICING OPTIONS

Guaranteed Delivery Contract with Early Payment Option for Feed Barley

For 2000-2001, the CWB provided farmers with the Guaranteed Delivery Contract with Early Payment Option, which guaranteed delivery on contracted feed barley by December 31, 2000.

Farmers could also choose to receive early payment for barley offered under this contract. Farmers who chose the Early Payment option could lock in an early payment value and receive this payment shortly after delivery. The early payment value was calculated as 90% of the CWB PRO, less all usual deductions and less a further discount for the time value of money, risk, and administration. Farmers who chose the early payment option remained part of the feed barley pool and remained eligible for future payments.

About 1,650 farmers committed 0.3 Mt of feed barley to the CWB under this option. This compares with AAFC's forecast for feed barley exports of about 0.5 Mt for the 2000-2001 crop year.

Fixed Price Contract

The CWB is offering a fixed price contract (FPC) for feed barley for the 2001-2002 crop year. Under the FPC, farmers can lock in a fixed price for all or a portion of their feed barley (minimum 20 tonnes) prior to the beginning of the crop year, then receive full payment for this quantity of grain immediately after delivery. Delivery on the contract occurs under regular CWB delivery opportunities available to all farmers. The FPC is kept separate from the feed barley pool account so that returns to the pool are not affected. Farmers can still deliver to the traditional CWB feed barley pool to receive the pooled price, as they may have done in the past.

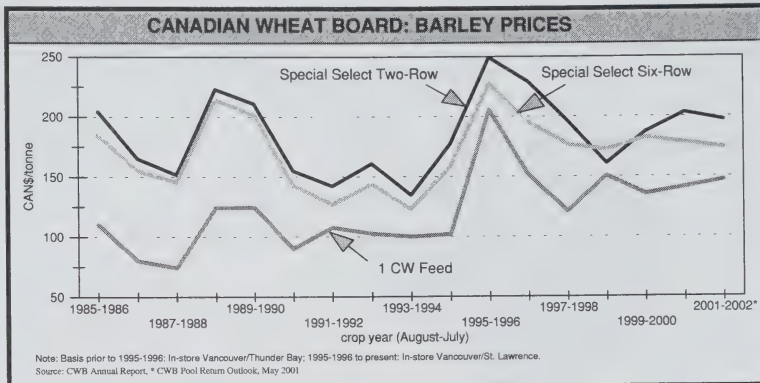
WINNIPEG COMMODITY EXCHANGE (WCE)

Feed Barley Futures Contract

Feed Barley is traded on the WCE. This futures contract helps farmers and industry manage barley price risk and encourages public price discovery. The pricing point of the contract is basis buyers' facilities in Lethbridge, Alberta. The WCE also offers options on this futures contract, and reports daily feed barley cash prices for Lethbridge delivery.

U.S. corn supplies are forecast by the USDA to decline only marginally. U.S. corn production is forecast to decrease, but much of the decrease is expected to be offset by higher carry-in stocks. Carry-out stocks are forecast to decrease slightly but remain burdensome, and will prevent world corn and barley prices from increasing considerably. However, world carry-out stocks of barley are expected to tighten further and reach their lowest levels since 1995. This should result in a continuation of substantial premiums for feed barley relative to corn on the world market.

In **Canada**, barley production is forecast to decrease marginally from 2000-2001, as lower yields are expected to more than offset increased area seeded. Alberta and Saskatchewan have experienced dry conditions, and yields in those provinces are expected to be lower than last year. Domestic demand is expected to remain strong, as poor pasture growth in Alberta and Saskatchewan and reduced supplies of feed wheat are likely to result in a slight increase in feed barley consumption. Feed barley exports are expected to remain at historically low levels, as the strong domestic demand is forecast to reduce the amount of barley available for export. Carry-out stocks are forecast to decrease and provide support for domestic prices.



For 2001-2002, **EU** barley production is forecast to decline slightly to about 50 Mt, as increased seeded area is expected to be more than offset by lower yields. EU carry-out stocks are forecast to decrease by 1.4 Mt, to 9.7 Mt, which should provide some support for world feed barley prices. This will be the lowest carry-out stocks in the EU since 1996, and is likely to prevent EU subsidies on barley exports. The intervention price offered for barley in the EU will fall by 7.5% from current levels to 101 Euros/t (about US\$90/t) in compliance with Agenda 2000, and is expected to encourage domestic consumption.

For 2001-2002, **Australian** barley production is forecast to increase, as area seeded to barley is expected to increase, while yields are expected to improve slightly as parts of the country recover from dry conditions last year. Increased supplies in Australia will partly offset lower supplies in the EU.

World trade is forecast by the USDA to decrease slightly from 2000-2001 to 17.7 Mt. However, feed barley imports by Saudi Arabia and Japan are forecast to be the same as in 2000-2001.

Pacific Northwest (PNW) feed **barley prices** are expected to average US\$110/t in the 2001-2002 crop year, or about US\$20/t over PNW corn prices. Slightly stronger prices are expected to be realized in the Canadian domestic barley market as a result of tightening supplies and decreasing carry-out stocks. Agriculture and Agri-Food Canada is currently forecasting Lethbridge 1CW feed barley prices to increase from last year to \$115-145/t. The CWB feed barley PRO

for 2001-2002 is up \$6/t from 2000-2001, at \$147/t I/S VC/SL.

MALTING BARLEY: 2000-2001 SITUATION

In 2000-2001, the quality of the **world barley** crop was below average in the major barley exporting countries. In Canada, drought in southern Alberta reduced yields and increased protein content, reducing supplies of malting quality barley in that province. Parts of Saskatchewan and Manitoba received excess moisture which promoted fusarium development and downgraded quality. In the EU, barley quality was below average due to late season rains, which reduced the available supplies of malting quality barley. Quality was also affected in Australia, as dry weather affected parts of the country during the summer, then was further influenced by rain during the harvest season.

As a result, relatively strong **world prices** have been observed for malting barley compared to feed. The premium, for malting barley over feed barley, as indicated by the CWB PRO for Special Select Two-Row Designated Barley (SS2R), is larger than it has been for the previous two years. For 2000-2001, the CWB PRO for SS2R barley is \$203/t I/S VC/SL, versus \$187/t in 1999-2000. The CWB PRO for Special Select Six-Row Designated Barley (SS6R) is \$178/t I/S VC/SL, versus \$182/t in 1999-2000.

MALTING BARLEY: 2001-2002 OUTLOOK

World supplies of malting barley are expected to increase from 2000-2001 as weather conditions are expected to improve from the unusually difficult harvests observed in the major malting barley exporting countries last year. Although world supplies of malting barley are expected to increase, most of the impact will be on two-row prices rather than

CANADA: BARLEY SUPPLY AND DISPOSITION

| August-July crop year | 1999 -2000 | 2000 -2001f | 2001 -2002f |
|---------------------------|---------------|----------------|----------------|
| Harvested Area (Mha) | 4.1 | 4.6 | 4.8 |
| Yield (t/ha) | 3.2 | 3.0 | 2.8 |
|million tonnes..... | | | |
| Carry-in Stocks | 2.8 | 3.0 | 3.1 |
| Production | 13.2 | 13.5 | 13.4 |
| Total Supply | 16.0 | 16.5 | 16.5 |
| Feed, Waste & Dockage | 9.8 | 10.1 | 10.2 |
| Food, Seed & Other | 0.8 | 0.8 | 0.8 |
| Total Domestic Use | 10.6 | 10.9 | 11.0 |
| Feed | 0.5 | 0.5 | 0.5 |
| Malting | 1.2 | 1.3 | 1.3 |
| Malt | 0.7 | 0.7 | 0.7 |
| Total Exports | 2.4 | 2.5 | 2.5 |
| Carry-out stocks | 3.0 | 3.1 | 3.0 |
| Feed Barley Price (\$/t) | 110 | 120 | 115 |
| Lethbridge 1CW | | -130 | -145 |
| Harvested Area (Mac.) | 10.1 | 11.2 | 11.8 |
| Yield (bu/ac.) | 60 | 55 | 52 |
| Production (Mbu) | 606 | 619 | 615 |
| Feed Barley Price (\$/bu) | 2.39 | 2.61 | 2.50 |
| Lethbridge 1CW | | -2.83 | -3.16 |

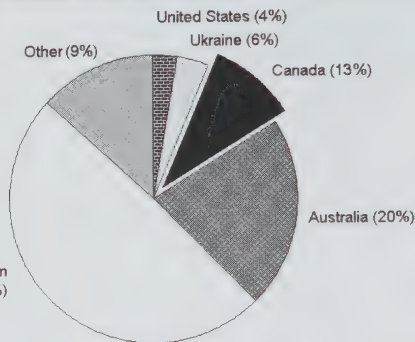
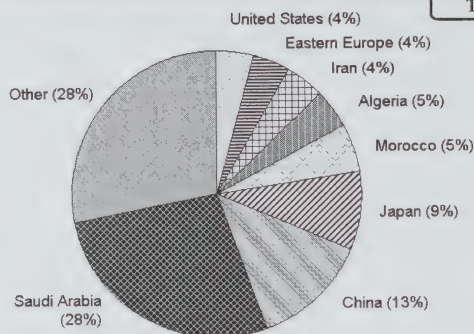
f: forecast, AAFC, June 2001
Source: Statistics Canada

WORLD: BARLEY IMPORTS

2001-2002^f

WORLD: BARLEY EXPORTS

Trade = 17.7 Mt



^f forecast, USDA, June 2001
Source: USDA

six-row prices due to the tightening balance in the U.S., which primarily consumes six-row malting barley.

In **Canada**, malting barley production is expected to be similar to 2000-2001. Increased area seeded to two-row barley is forecast, as intended barley area in Alberta is 4% higher than last year. Slightly lower barley area is intended in Manitoba, suggesting that six-row barley production may decrease. However, most of the decline in Manitoba barley area is likely due to lower feed barley area rather than lower malting barley area. Domestic use of malting barley is expected to remain similar to 2000-2001. Exports are expected to increase as lower intended production in the U.S. should support exports, while demand from China is forecast to remain strong. China is Canada's second largest export customer, only slightly behind the U.S., and is the largest importer of Canadian two-row malting barley. Increased competition into Chinese malting barley markets, primarily from Australia, may limit growth of Canada's exports to that market. Canadian exports of malt products are forecast to increase slightly, consistent with the trend of the past several years.

In the **U.S.**, supplies of barley are forecast to be lower than in 2000-2001. U.S. farmers reduced plantings by about 0.5 million acres (Mac.) this spring, to 5.3 Mac. Intended area in North Dakota, the largest barley producing state, has fallen dramatically from 1.9 Mac. to 1.6 Mac. Assuming average yields of 60 bushels per acre, production in this state could fall by 18 million bushels, or about 0.4 Mt. This impact could be particularly important to Canadian six-row malting barley growers, as North Dakota accounts for most U.S. six-row malting barley production. As well, there is potential for lower production in Montana, the largest two-row barley producing state. Intended area in Montana is down 4% to

1.2 Mac., and dryness in that state is becoming an important factor. U.S. carry-in stocks are also slightly lower than they were in 2000-2001. The lower U.S. production and lower carry-in stocks are expected to result in increased Canadian exports to the U.S., which should support malting barley prices.

Loan Deficiency Payments (LDPs) are expected to remain important to U.S. barley growers. So far in 2000-2001, 70% of the U.S. barley crop has received LDPs averaging US\$0.27/bu.

In the **EU**, quality of the barley crop is expected to improve from last year. This is expected to result in increased competition in the two-row malting barley market and pressure prices. However, total barley production in the EU is forecast to decrease and may provide some support for two-row malting barley prices, especially if the EU experiences difficult harvest weather in 2001-2002.

In **Australia**, production is forecast to increase by about 0.4 Mt (about 7%) as producers respond to relatively strong returns for malting barley. Australian malting barley production is very important to the Canadian malting barley industry, as Australia is the largest supplier of two-row malting barley to China. Competition in Asian markets is expected to remain strong due to the increased Australian production, and malting barley prices may be pressured over the course of the season as Australian barley moves onto the world market.

The potential for increased competition from the EU and Australia into two-row markets is expected to reduce the premium for two-row malting barley over feed barley for Canadian farmers, and two-row prices are expected to decrease slightly from current levels. Although six-row malting barley prices are forecast to decline slightly, six-row prices appear to have

some potential for upward movement, particularly if weather problems continue to negatively affect U.S. crop development. The May CWB PRO for 2001-2002 for SS2R is \$197/t I/S VC/SL, down \$6/t from the 2000-2001 PRO. The CWB PRO for SS6R is \$174/t I/S VC/SL, down \$4/t from 2000-2001.

For more information:

Dennis Jackson

A/Coarse Grains Analyst

Phone: (204) 983-8461

E-mail: jacksond@em.agr.ca

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Telephone: (204) 983-8473
Fax: (204) 983-5524**

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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CANADA: SPECIAL CROPS SUPPLY AND DISPOSITION

JUNE 4, 2001

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (c) | Ending Stocks | Average Price (d) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,974 | 1,116 | 523 | 335 | 180 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001f | 1,220 | 2.35 | 2,864 | 10 | 3,274 | 2,100 | 1,024 | 150 | 120-140 |
| 2001-2002f | 1,420 | 2.21 | 3,140 | 10 | 3,300 | 2,000 | 1,150 | 150 | 115-145 |
| Lentils | | | | | | | | | |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 523 | 349 | 109 | 65 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001f | 688 | 1.33 | 914 | 5 | 999 | 630 | 199 | 170 | 290-310 |
| 2001-2002f | 640 | 1.28 | 820 | 5 | 995 | 650 | 190 | 155 | 280-310 |
| Dry Beans | | | | | | | | | |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001f | 165 | 1.62 | 268 | 30 | 338 | 260 | 63 | 15 | 470-490 |
| 2001-2002f | 154 | 1.88 | 290 | 30 | 335 | 265 | 65 | 5 | 510-540 |
| Chick Peas | | | | | | | | | |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001f | 283 | 1.37 | 387 | 5 | 407 | 210 | 157 | 40 | 390-410 |
| 2001-2002f | 355 | 1.27 | 450 | 2 | 492 | 260 | 172 | 60 | 385-415 |
| Mustard Seed | | | | | | | | | |
| 1997-1998 | 292 | 0.83 | 243 | 2 | 283 | 166 | 69 | 48 | 385 |
| 1998-1999 | 279 | 0.86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001f | 208 | 0.97 | 202 | 1 | 318 | 160 | 68 | 90 | 265-285 |
| 2001-2002f | 123 | 0.93 | 115 | 1 | 206 | 145 | 56 | 5 | 320-350 |
| Canary Seed | | | | | | | | | |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 245 | 134 | 47 | 64 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001f | 164 | 1.04 | 171 | 0 | 261 | 155 | 31 | 75 | 235-255 |
| 2001-2002f | 82 | 1.04 | 85 | 0 | 160 | 125 | 30 | 5 | 315-345 |
| Sunflower Seed | | | | | | | | | |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 88 | 45 | 40 | 3 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001f | 69 | 1.72 | 119 | 15 | 175 | 65 | 75 | 35 | 310-330 |
| 2001-2002f | 74 | 1.49 | 110 | 15 | 160 | 65 | 80 | 15 | 310-340 |
| Buckwheat | | | | | | | | | |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001f | 15 | 0.93 | 14 | 1 | 16 | 9 | 7 | | 295-315 |
| 2001-2002f | 15 | 1.13 | 17 | 1 | 18 | 9 | 8 | 1 | 290-320 |
| Total Special Crops | | | | | | | | | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 54 | 3,343 | 1,949 | 862 | 532 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,299 | 2,634 | 1,034 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001f | 2,812 | 1.76 | 4,939 | 67 | 5,788 | 3,589 | 1,624 | 575 | |
| 2001-2002f | 2,863 | 1.76 | 5,027 | 64 | 5,666 | 3,519 | 1,751 | 396 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes food, feed, seed, waste and dockage.

(d) Producer price, FOB plant. Average over all types, grades and markets.

(e) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed sunflower seed and buckwheat.

f: forecast, Agriculture and Agri-Food Canada, June 4, 2001

Source: Statistics Canada and industry consultations.



CANADA: SPECIAL CROPS OUTLOOK

JUNE 4, 2001

Seeding of special crops is nearly complete except for sunflower seed, dry beans and buckwheat, which are about 70%, 35% and 10% done, respectively. Due to dry conditions in Alberta and western Saskatchewan this spring, AAFC's forecast for expected yields for most special crops has been decreased from the April 30 report. The exceptions are dry beans, sunflower seed and buckwheat, because they are produced mainly in other areas with better moisture conditions. The area seeded estimates are based mostly on Statistics Canada's (STC) seeding intentions survey, conducted during late March. However, AAFC estimates are used in cases where STC estimates are not available.

Area seeded to special crops in Canada is forecast to increase by 2%, as a higher seeded area for dry peas, chick peas and sunflower seed, is mostly offset by a lower area for lentils, dry beans and a sharply lower area for mustard seed and canary seed. Total special crops production is forecast by AAFC to increase by 2% to 5.03 million tonnes (Mt). Total supply and exports are expected to decrease slightly while domestic use increases, resulting in lower carry-out stocks. Average prices, compared to 2000-01, are forecast to increase for dry beans, mustard seed, canary seed and sunflower seed, decrease for lentils and be similar for dry peas, chick peas and buckwheat. Major factors to watch are growing conditions in major special crops importing and exporting countries, and the value of the Canadian dollar relative to the currencies of importing countries.

DRY PEAS

Production is forecast to increase by 10%, as a 16% increase in seeded area is partly offset by lower yields. Total supply is forecast to increase only marginally because of lower carry-in stocks. Total world supply is expected to increase by 3% to 11.8 Mt because of higher production in the EU and Canada, which is partly offset by lower carry-in stocks. The higher supply is expected to be offset by increased overall demand. Canadian exports are forecast to decrease because of increased production in the EU, while domestic use increases because of increased use for livestock feed. Carry-out stocks are forecast to remain low, with a stocks-to-use (s/u) ratio of 5%. Prices are expected to be pressured by lower protein meal prices, but supported by higher feed grain prices. Therefore, the average price over all types, grades and markets is forecast to be the same as in 2000-01.

LENTILS

Production is forecast to decrease by 10%, because of a 7% decrease in seeded area and lower yields. Total supply is forecast to decrease only marginally due to higher carry-in stocks. Total world supply is expected to increase by 2% to 3.56 Mt. Canadian exports are expected to increase slightly, in line with increased demand resulting from lower prices. Carry-out stocks are forecast to decrease, with a s/u ratio of 19%. The average price, over all types and grades, is forecast to decrease slightly because of the higher world supply.

DRY BEANS

Production is forecast to increase by 8%, as a 9% decrease in seeded area is more than offset by higher yields. Production of white pea beans is forecast to increase by 14% to 125,000 t, while production of coloured beans increases by 4% to 165,000 t. Total supply is expected to decrease slightly because of lower carry-in stocks. Exports are forecast to increase only slightly because of the tighter supply, and carry-out stocks are expected to decrease to a negligible level. US production is expected to decrease by 15%. Total US and Canadian supply is

expected to decline by 10%. Therefore, the average price, over all classes and grades, is forecast to increase by about 10%.

CHICK PEAS

Production is forecast to increase by 16% due to a 25% increase in seeded area, which is partly offset by lower yields. Production of the kabuli type is forecast to increase, while production of the desi type decreases. Assuming drier growing conditions than in 2000-01 in the chick pea growing areas, the average quality of the crop should improve. Total Canadian supply is forecast to increase by 21% due to higher production and carry-in stocks. Total world supply is expected to decrease by 4% to 8.13 Mt. Canada's share of total world supply is forecast to increase to 6% from 4.8% in 2000-01. Therefore, Canadian exports are forecast to increase. Carry-out stocks are also forecast to increase with a s/u ratio of 14%. Prices are forecast to be pressured by higher Canadian supply. However, this is expected to be offset by higher quality and a shift to the production of the higher-priced kabuli type. Therefore, the average price over both kabuli and desi types and all sizes and grades is forecast to be the same as in 2000-01.

MUSTARD SEED

Production is forecast to decrease by 43% due to a 40% decrease in seeded area and lower yields. The largest decrease in production is expected for the oriental and brown types, with a smaller decrease for the yellow type. Total supply is forecast to decrease by 35%. Exports are expected to decrease because of the lower supply. Carry-out stocks are forecast to decrease to a negligible level. The average price, over all types and grades, is forecast to increase by 22% because of the lower supply and a shift to the production of the higher priced yellow type.

CANARY SEED

Production is forecast to decrease by 50%, in line with the reduction in seeded area. Total supply is forecast to decrease by 39%. Total world supply is forecast to decrease by 29% to 235,000 t, with Canada's share of world

supply decreasing to 68% from 79% in 2000-01. Exports are expected to decrease, because of the lower supply. Carry-out stocks are forecast to decrease to a negligible level. The average price is forecast to increase by 35% because of the lower supply.

SUNFLOWER SEED

Production is forecast to decrease by 8%, as a 6% increase in seeded area is more than offset by lower yields. Confectionary sunflower seed production is expected to decrease by 10% to 80,000 t, while oil sunflower seed production is expected to remain stable at 30,000 t. Total supply is forecast to decrease by 9% because of lower production and carry-in stocks. Exports are expected to remain stable, while domestic use increases in line with the growing domestic bird seed and confectionary processing industries. Carry-out stocks are forecast to decrease, with a s/u ratio of 10%. Total world supply is expected to remain stable at 24.6 Mt. US total supply of the confectionary type is expected to decrease slightly, while the total supply for the oilseed type decreases by 10%. Stronger world demand is expected to support prices. Therefore, the average Canadian price over both confectionary and oilseed types is forecast to increase slightly.

BUCKWHEAT

Production is forecast to increase by 20%, with a stable seeded area and higher yields. Total use is forecast to increase. The average price over all grades and markets is forecast to be the same as in 2000-01, in line with stable world total supply of about 3.1 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mailskrypetzs@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mail.....olesonf@em.agr.ca

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

JUNE 4, 2001

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1999-2000 | 1,760 | 2.44 | 4,300 | 9 | 6,257 | 3,575 | 263 | 381 | 896 | 1,785 | 207 |
| 2000-2001f | 2,614 | 2.16 | 5,647 | 8 | 7,440 | 3,600 | 265 | 665 | 1,140 | 2,700 | 233 * |
| 2001-2002f | 2,200 | 1.92 | 4,230 | 5 | 6,935 | 3,900 | 265 | 445 | 935 | 2,100 | 214 * |
| Wheat Except Durum | | | | | | | | | | | |
| 1999-2000 | 8,606 | 2.63 | 22,600 | 6 | 28,093 | 14,737 | 2,693 | 3,870 | 7,391 | 5,964 | 168 |
| 2000-2001f | 8,349 | 2.53 | 21,157 | 40 | 27,161 | 14,000 | 2,700 | 3,911 | 7,461 | 5,700 | 190 * |
| 2001-2002f | 8,545 | 2.28 | 19,500 | 10 | 25,210 | 13,400 | 2,735 | 3,705 | 7,310 | 4,500 | 208 * |
| All Wheat | | | | | | | | | | | |
| 1999-2000 | 10,367 | 2.59 | 26,900 | 14 | 34,349 | 18,313 | 2,956 | 4,251 | 8,288 | 7,749 | |
| 2000-2001f | 10,963 | 2.44 | 26,804 | 48 | 34,601 | 17,600 | 2,965 | 4,576 | 8,601 | 8,400 | |
| 2001-2002f | 10,745 | 2.21 | 23,730 | 15 | 32,145 | 17,300 | 3,000 | 4,150 | 8,245 | 6,600 | |
| Barley | | | | | | | | | | | |
| 1999-2000 | 4,069 | 3.24 | 13,196 | 33 | 15,966 | 2,392 | 393 | 9,752 | 10,586 | 2,988 | 110 |
| 2000-2001f | 4,551 | 2.96 | 13,468 | 50 | 16,506 | 2,500 | 360 | 10,091 | 10,906 | 3,100 | 120-130 |
| 2001-2002f | 4,763 | 2.81 | 13,400 | 30 | 16,530 | 2,500 | 360 | 10,215 | 11,030 | 3,000 | 115-145 |
| Corn | | | | | | | | | | | |
| 1999-2000 | 1,141 | 8.03 | 9,161 | 1,023 | 11,069 | 226 | 2,020 | 7,240 | 9,291 | 1,552 | 107 |
| 2000-2001f | 1,088 | 6.27 | 6,827 | 2,000 | 10,378 | 125 | 2,125 | 7,198 | 9,354 | 900 | 115-135 |
| 2001-2002f | 1,239 | 7.54 | 9,345 | 900 | 11,145 | 400 | 2,225 | 7,288 | 9,545 | 1,200 | 105-135 |
| Oats | | | | | | | | | | | |
| 1999-2000 | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,532 | 191 | 1,768 | 2,119 | 1,082 | 128 |
| 2000-2001f | 1,299 | 2.61 | 3,389 | 5 | 4,476 | 1,775 | 190 | 1,638 | 2,001 | 700 | 125-135 |
| 2001-2002f | 1,459 | 2.43 | 3,550 | 4 | 4,254 | 1,650 | 210 | 1,626 | 2,004 | 600 | 120-150 |
| Rye | | | | | | | | | | | |
| 1999-2000 | 169 | 2.29 | 387 | 4 | 557 | 85 | 69 | 223 | 311 | 161 | |
| 2000-2001f | 115 | 2.27 | 260 | 5 | 426 | 90 | 75 | 140 | 236 | 100 | |
| 2001-2002f | 102 | 2.16 | 220 | 5 | 325 | 80 | 75 | 84 | 180 | 65 | |
| Mixed Grains | | | | | | | | | | | |
| 1999-2000 | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | | |
| 2000-2001f | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | | |
| 2001-2002f | 144 | 2.75 | 395 | 0 | 395 | 0 | 0 | 395 | 395 | | |
| Total Coarse Grains | | | | | | | | | | | |
| 1999-2000 | 6,930 | 3.87 | 26,832 | 1,064 | 32,772 | 4,235 | 2,673 | 19,429 | 22,754 | 5,783 | |
| 2000-2001f | 7,181 | 3.39 | 24,327 | 2,060 | 32,169 | 4,490 | 2,750 | 19,449 | 22,879 | 4,800 | |
| 2001-2002f | 7,706 | 3.49 | 26,910 | 939 | 32,649 | 4,630 | 2,870 | 19,608 | 23,154 | 4,865 | |
| Canola | | | | | | | | | | | |
| 1999-2000 | 5,564 | 1.58 | 8,798 | 124 | 9,556 | 3,885 | 2,983 | 543 | 3,565 | 2,106 | 288 |
| 2000-2001f | 4,816 | 1.48 | 7,119 | 250 | 9,475 | 4,600 | 3,000 | 685 | 3,725 | 1,150 | 275-305 |
| 2001-2002f | 3,716 | 1.30 | 4,835 | 350 | 6,335 | 3,200 | 2,400 | 290 | 2,735 | 400 | 290-320 |
| Flaxseed | | | | | | | | | | | |
| 1999-2000 | 777 | 1.32 | 1,022 | 2 | 1,175 | 568 | n/a | n/a | 221 | 386 | 237 |
| 2000-2001f | 591 | 1.17 | 693 | 10 | 1,089 | 650 | n/a | n/a | 210 | 230 | 245-265 |
| 2001-2002f | 555 | 1.35 | 749 | 3 | 981 | 700 | n/a | n/a | 152 | 130 | 250-280 |
| Soybeans | | | | | | | | | | | |
| 1999-2000 | 1,004 | 2.77 | 2,781 | 455 | 3,478 | 948 | 1,712 | 493 | 2,277 | 252 | 256 |
| 2000-2001f | 1,061 | 2.55 | 2,703 | 350 | 3,305 | 800 | 1,650 | 435 | 2,155 | 350 | 235-265 |
| 2001-2002f | 1,014 | 2.77 | 2,810 | 150 | 3,310 | 800 | 1,650 | 466 | 2,186 | 325 | 210-250 |
| Total Oilseeds | | | | | | | | | | | |
| 1999-2000 | 7,345 | 1.72 | 12,602 | 581 | 14,208 | 5,401 | 4,695 | 1,037 | 6,063 | 2,744 | |
| 2000-2001f | 6,468 | 1.63 | 10,515 | 610 | 13,869 | 6,050 | 4,650 | 1,120 | 6,090 | 1,729 | |
| 2001-2002f | 5,285 | 1.59 | 8,394 | 503 | 10,626 | 4,700 | 4,050 | 756 | 5,072 | 854 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1999-2000 | 24,642 | 2.69 | 66,334 | 1,659 | 81,330 | 27,949 | 10,324 | 24,716 | 37,105 | 16,276 | |
| 2000-2001f | 24,612 | 2.50 | 61,646 | 2,718 | 80,640 | 28,140 | 10,365 | 25,145 | 37,570 | 14,930 | |
| 2001-2002f | 23,736 | 2.49 | 59,033 | 1,457 | 75,420 | 26,630 | 9,920 | 24,513 | 36,471 | 12,319 | |

(a) Aug.-July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver); Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (No. 3 CW, WCE cash Track Minneapolis); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* CWB Pool Return Outlook (PRO): May 2001. Prices for No.1 CWRS and No.1 CWAD with 11.5% protein for 2000-01 and 2001-02. This is comparable to prices for 1999-00 and previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, June 4, 2001

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: GRAINS AND OILSEEDS OUTLOOK

JUNE 4, 2001

In western Canada, seeding is nearly complete, except in Manitoba where excessive moisture conditions have delayed seeding. Due to extremely dry conditions in Alberta and western Saskatchewan, AAFC's forecast for yields in western Canada has been decreased from the April 30 report. The estimates of area seeded, except durum and spring wheat, are from the Statistics Canada (STC) seeding intentions survey, conducted during late March. However, due to the dry conditions, and an improved price outlook for durum wheat, the area seeded to durum is forecast by AAFC to increase slightly from the STC estimate, at the expense of spring wheat. In Eastern Canada, where most of the corn and soybeans are grown, seeding is mostly complete. Moisture conditions are generally good and yields are expected to increase from the lows of 2000-01.

Total production of grains and oilseeds in Canada is forecast by AAFC at 59.0 million tonnes (Mt), about 2.6 Mt below 2000-01. Total exports and domestic use are forecast to decrease due to lower supplies. World wheat prices (except durum) are expected to increase from the 2000-01 level due to lower production and carry-out stocks in the major exporting countries. World coarse grain prices (except malting barley) are expected to be similar to 2000-01 due to a continuation of abundant supplies of corn in the US. Oilseed prices are expected to remain near current low levels due to burdensome world oilseed supplies and low edible oil prices. The major factors to watch are: growing conditions in the major importing and exporting regions, the US winter wheat harvest which is currently underway, China's accession to the WTO and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2001-02, production is projected to decrease by 8%, despite an increase in area, as a result of lower yields. Due to lower supplies, exports are forecast to fall to only 13.4 Mt, the 3rd lowest since the 1988-89 drought year. Feed use is expected to decline because of tight supplies, but strong hog feed demand will keep it historically high. Carry-out stocks are expected to continue to decline, reaching the lowest level since 1994-95, and 22% below the 5-year average. The Canadian Wheat Board (CWB) May 2001-02 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is down \$1/t from April, at \$208/t, in-store Vancouver/St. Lawrence, but \$18/t above the 2000-01 PRO. Ontario winter wheat production is forecast to decline by 28% to 1.0 M, due to snow mould. The Ontario Wheat Producers' Marketing Board's Pool Price Projections for No.1 CEWW wheat are \$135-145/t, about \$30/t above 2000-01.

DURUM

Production is expected to fall by 25% as a result of a lower seeded area, combined with reduced yields. This will be partly offset by a 51% increase in carry-in stocks, and supplies will remain 10% above the 5-year average. Exports are forecast to rise by 0.3 Mt, due to continuing strong world demand, with poor crops forecast for North Africa for the third year in a row. Domestic feed use is expected to return to normal levels, compared to the abnormally high feed use in 2000-01. Carry-out stocks are projected to fall to 2.1 Mt, but remain well above the 5-year average of 1.6 Mt. The CWB 2001-02 PRO for No.1 CWAD 11.5% protein is \$214/t, \$8/t higher than last month, with a small premium to spring wheat, but down by \$19/t from 2000-01.

BARLEY

Production is forecast to decrease marginally from 2000-01, as lower yields are expected to more than offset higher seeded area. Total supplies are forecast to increase marginally.

Feed use is forecast to increase due to strong feed demand and lower wheat feeding. Feed barley exports are expected to be similar to 2000-01 but malting barley exports are expected to rise slightly due to continued strong demand, especially from the US. Carry-out stocks are forecast to decrease. Off-Board feed barley prices are expected to increase slightly, supported by tightening carry-out stocks. The CWB PRO for No.1 CW Feed Barley is \$147/t, up \$6/t from 2000-01. Prices for malting barley are forecast to decline due to increased world supplies of malting barley. The CWB PRO for Special Select 2 Row Designated barley is \$197/t, vs. the 2000-01 PRO of \$203/t.

OATS

Production is forecast to increase as higher area seeded more than offsets lower yields. Supplies are forecast to fall due to lower carry-in stocks. Exports are forecast to decrease slightly due to the lower supplies, but remain near the 5-year average. Carry-out stocks are forecast to decrease and support prices.

CORN

Production is forecast to rise sharply, due to a record area and a return to normal yields in Eastern Canada. Lower carry-in stocks will partly offset the increase in production. Imports are expected to fall considerably as a result of the increased domestic supplies and improved quality. Feed use is forecast to rise slightly due to higher domestic corn supplies and lower supplies of feed wheat in Ontario. Carry-out stocks are expected to increase. Prices are forecast to be lower than in 2000-01 as a weaker basis is expected and US corn prices are forecast to remain similar to 2000-01.

CANOLA

Production is expected to fall by 32% due to lower area and yields. Supplies are also forecast to decrease significantly, due to the sharp drop in carry-in stocks and production. As a result, domestic crush and exports are both projected to fall sharply, due to the rationing of supplies. Carry-out stocks are forecast to fall by 65%, to pipeline levels. Prices are expected to rise only slightly, as support from lower Canadian supplies is offset by low US soybean prices, low palm oil prices, and abundant world supplies of soybeans and palm oil.

FLAXSEED (excluding solin)

Production is expected to increase slightly as the expected increase in average yields in Manitoba and eastern Sask. more than offsets the impact of lower seeded area. Supplies are forecast to fall, as lower carry-in stocks more than offset the rise in production. Exports are forecast to rise due to increased EU demand. Carry-out stocks are expected to decline by 45%, supporting a slight increase in prices.

SOYBEANS

Production is forecast to rise as higher yields more than offset the lower area. Supplies are forecast to remain stable, as reduced imports offset the rise in production. Domestic crush and exports are expected to be unchanged. Prices are forecast to decline slightly from current low levels, due to high US domestic support programs, which have encouraged high area seeded.

FURTHER INFORMATION:

WheatGlenn Lennox....(204) 983-8465
E-maillennoxg@em.agr.ca
Coarse Grains..Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman 984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday - June 4, 2001

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED FEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|---------------|--------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| Vancouver | This week | FOB | 148.66 | N/A | 150.66 | 165.00 | | 318.50 | (7) 248.00 | 155.00 | 270.00 | (4) 825.00 | 355.00 | | | | 390.00 |
| B.C. | Week ago | | 147.66 | N/A | 150.66 | 162.50 | | 324.25 | (7) 246.00 | 140.00 | 270.00 | (4) 825.00 | 355.00 | | | | 390.00 |
| Calgary | This week | FOB | 125.50 | 105.00 | 127.50 | 155.00 | | 315.00 | 179.00 | | 220.00 | (4) 875.00 | 400.00 | | | | 390.00 |
| Alta | Week ago | | 124.50 | 105.00 | 127.50 | 154.00 | | 320.00 | 179.00 | | 220.00 | (4) 875.00 | 400.00 | | | | 390.00 |
| Saskatoon | This week | FOB | 126.50 | 115.00 | 115.00 | 136.00 | | 307.00 | 230.00 | | 230.00 | (4) N/A | 400.00 | | 154.67 | | 420.00 |
| Sask. | Week ago | | 126.50 | 115.00 | 115.00 | 136.00 | | 313.00 | 221.00 | | 230.00 | (4) N/A | 400.00 | | 154.67 | | 420.00 |
| Melfort | This week | FOB | 137.80 | 129.32 | 128.90 | | | | | | | | | | | | |
| Sask. | Week ago | | 127.00 | 108.98 | 128.00 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 111.35 | 116.95 | 117.40 | 128.00 | | 291.00 | 220.00 | | 275.00 | (4) 790.00 | 390.00 | | | | 380.00 |
| Man. | Week ago | | 111.35 | 114.02 | 118.50 | 123.00 | | 296.50 | 211.00 | | 275.00 | (4) 790.00 | 390.00 | | | | 380.00 |
| Thunder Bay | This week | In-store | 142.80 | 147.27 | 134.90 | | | | | | | | | | | | |
| Ont. | Week ago | | 138.00 | 126.99 | 136.00 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 118.66 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 115.12 | | | | | | | | | | | |
| Bay Ports | This week | In-store | 162.80 | 202.00 | 172.00 | | | | | | | | | | | | |
| Ont. | Week ago | | 162.00 | 198.00 | 169.00 | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 125.09 | | | | | | | | | | | |
| Ont. | Week ago | | | | | 122.53 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Hamilton | This week | N/A | | | | | FOB | 306.00 | N/A | | | | | | | | |
| Ont. | Week ago | | | | | | | 306.66 | N/A | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 127.29 | | | | | | | | | | | |
| Ont. | Week ago | | | | | 127.81 | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Montreal | This week | FOB | | | | | | | | | | | | | | | |
| Que. | Week ago | | | | | | | | | | | | | | | | |
| Trois-Riv. | This week | In-store | 165.80 | | 166.90 | 139.26 | | | | | | | | | | | |
| Que. | Week ago | | 167.00 | | 168.00 | 136.31 | | | | | | | | | | | |
| St-Jean-Que. | This week | FOB | 170.30 | 129.00 | 165.40 | (2) 133.36 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | 169.17 | 129.00 | 157.63 | (2) 131.19 | | | | | | | | | | | |
| Quebec | This week | In-store | 170.97 | | 167.73 | 142.41 | FOB | 325.29 | | | | | | | | | |
| Que. | Week ago | | 170.83 | | 168.17 | 139.59 | | | | | | | | | | | |
| Trois-Riv. | This week | Track | 199.17 | 191.02 | 195.12 | 170.95 | FOB | 343.37 | 264.06 | | | | | | | | |
| N.S. | Week ago | | 195.74 | 191.02 | 195.17 | 170.96 | | 346.73 | 260.03 | | | | | | | | |
| Truro | This week | Water | N/A | N/A | N/A | 168.70 | | | | | | | | | | | |
| N.S. | Week ago | | N/A | N/A | N/A | 168.40 | | | | | | | | | | | |
| Truro | This week | Water & Truck | N/A | N/A | N/A | 168.40 | | | | | | | | | | | |
| N.S. | Week ago | | N/A | N/A | N/A | 168.40 | | | | | | | | | | | |
| Halifax | This week | In-store | N/A | N/A | N/A | 159.70 | FOB | | | | | | | | | | |
| N.S. | Week ago | | N/A | N/A | N/A | 159.40 | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

N/A = not available US \$1.00=Cdn \$1.5357 as of June 04, 2001

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat. No.1 Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal 60% Protein. Fish Meal; white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Feed No.1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100

As of Monday June 4, 2001

| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 306.00 | 306.66 | | 290.35 | 316.03 |
| To: Montreal, Que. | Track | | 328.47 | 329.13 | | 312.82 | 338.50 |
| Moncton, N.B. | Track | | 345.78 | 346.44 | | 330.13 | 355.81 |
| Truro, N.S. | Track | | 348.75 | 349.41 | | 333.10 | 358.78 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 398.01 | 398.67 | | 382.36 | 408.04 |

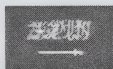
Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

June 29, 2001 Volume 14 Number 11

SAUDI ARABIA



Saudi Arabia is an important market for feed barley from Canada. In recent years however, exports have decreased significantly from historical levels due to low exportable supplies in Canada, related to the strong domestic livestock sector. For 1999-2000 and 2000-2001, Canadian exports of feed barley to Saudi Arabia have increased from the low of 1998-1999, but for 2001-2002, exports are expected to decrease slightly. Canadian exports of special crops to Saudi Arabia are currently small but have been trending upwards during the past 10 years, especially for pulse crops. Special crop exports are expected to continue increasing in the future. The major Canadian exports to Saudi Arabia are feed barley, special crops, processed and bulk foods, and canola meal. This issue of the *Bi-weekly Bulletin* highlights the situation and outlook for the grain, oilseed, special crop, and livestock sectors in Saudi Arabia.

BACKGROUND

More than half of the total area of Saudi Arabia is desert, with a narrow coastal plain along the western coast and a central mountain range extending from the north and gradually increasing in elevation to the south.

Saudi Arabia has the world's largest proven petroleum reserves and the world's fifth largest natural gas reserves. It ranks as the largest exporter of petroleum and plays a leading role in the Organization of Petroleum Exporting Countries (OPEC). However, its agricultural industry is hampered by extreme temperatures and dry conditions.

Since 1970, the Saudi Arabian government has undertaken an ambitious program, financed by oil export revenues, to develop

the infrastructure required for agricultural growth. Between 1975 and 2000, cultivated land grew from 0.15 million hectares (Mha) to over 5.7 Mha. The agricultural sector has grown at an average annual rate of 8.7% since 1970 and accounts for 9.4% of GDP. The sector has now become the largest non-petroleum sector in Saudi Arabia and, in 1998, employed 16% of the population.

ECONOMY

Oil and oil derivatives, account for about 90-95% of Saudi export earnings, 75% of the budget revenues and about 37% of the nation's GDP. In 2001, GDP growth is expected to decline by 4% as oil prices fall and production declines, in response to reduced demand.

Saudi Arabia. The development of a comprehensive natural gas industry is expected to provide a feedstock for derivative products such as petrochemicals, and make water desalination and power generation more viable. Gas, as a substitute for oil in meeting the local electrical demand, would free up more oil for export and contribute to improving the government's balance of payments.

With about 50% of the population under the age of 18, a job growth rate above 6% per annum will be necessary to accommodate the growth in the labour force. The unemployment rate, estimated at 14% in 2000, is expected to rise to 15% in 2001.

Currently, Saudi Arabia is in its Seventh Economic Plan (2000-2005). Key components of the plan are a continued strong drive toward privatization; acceleration toward integration into the global economy, including accession to the World Trade Organization (WTO); further development of technical skills and employment, and a stronger emphasis on the private sector's role in the economy through increasing diversification of the industrial base and agriculture.

Saudi Arabia has large untapped natural gas supplies. Recently, related to relaxed investment laws, several major international oil companies have made gas-related investment proposals to the Saudi Arabian government. Currently, manufacturing accounts for approximately 90% of all foreign joint venture investments in

SAUDI ARABIA: ECONOMIC STATISTICS

| | 1998 | 1999 | 2000e | 2001f |
|-----------------------|--------------------------------------|-------|-------|-------|
| Population (million) | 21.0 | 21.4 | 21.8 | 22.5 |
| GDP (US\$ billion) | 127.7 | 139.0 | 160.5 | 154.1 |
| GDP growth (%) | -10.8 | 8.8 | 15.5 | -4.0 |
| GDP per capita (US\$) | 6,081 | 6,495 | 7,362 | 6,837 |
| Inflation (%) | -0.2 | -1.2 | -1.0 | 0.0 |
| Land area: | 1.9 million square kilometres | | | |
| Cultivated Land: | 5.7 million hectares (2000 estimate) | | | |

e: estimate; f: forecast

Source: Saudi American Bank (SAMBA) February 2001



Canada

CURRENCY

Since June 1986, the exchange rate of the Saudi riyal (SR) has been fixed at 3.745SR per US dollar. Interest rates are allowed to float and capital flows freely across borders. The combination of low oil prices, high domestic debt and a fixed exchange rate led to the SR coming under some speculative pressure in 1999. Effective interventions by the Saudi Central Bank, and the recovery of oil prices, eased the pressures considerably.

AGRICULTURE PROGRAMS

A land distribution and reclamation program was introduced in 1968 and provided fallow land (up to 400 hectares) to farmers under the condition that at least a quarter of the land would be cultivated within 2-5 years. More than 2 Mha of uncultivated land were distributed. Full ownership was later transferred to the farmer.

The agriculture sector has benefited from low cost water, fuel, and electricity and duty free imports of raw materials and machinery. About 45% of agricultural equipment and 50% of fertilizer costs are covered by the Saudi Arabian government. The Ministry of Agriculture and Water constructs and maintains irrigation and drainage networks, and provides research and assistance to farmers. Improvements to roads have been made to link producing areas to consumer markets.

Subsidies to farmers have also played an important role, but cash shortages resulting from the Gulf War (1990-1991) and lower oil revenue led to a decrease in subsidies. Price supports are limited to wheat, barley, and dates.

The customs duty on the majority of food products is 5% ad valorem on the cost, insurance, freight (CI&F) value and 20% on some imports that compete with domestic production. Barley, livestock and meat, rice, and sugar are imported duty free. Saudi Arabia is one of the largest food importers in the Middle East. For religious reasons, imports of alcohol, pork, and products derived from pork are prohibited. Meat, including poultry, beef, veal, and lamb/mutton must meet Islamic halal slaughter requirements.

The Grain Silos and Flour Mills Organization (GSFMO) is a government corporation which manage grain silos with total storage capacity of 2.4 million tonnes (Mt) of wheat and 0.2 Mt of barley. The GSFMO is also involved in the

improvement of existing types of wheat flour and the production of new types. It authorizes the growing and sale of wheat and barley to the government by issuing quotas to individual farmers, thereby setting production targets. Wheat and barley farmers receive government support prices only for production within the pre-assigned quotas.

WATER RESOURCES

Per capita consumption of water is high in Saudi Arabia and demand has been increasing steadily. Underground aquifers constitute the country's major source of water. However, this source is considered unrenueable and its supply is limited. Agriculture accounts for 80% of Saudi Arabia's fresh water demand. The high cost of providing water is highly subsidized by the Saudi Arabian government.

GROWING IN THE DESERT

Rainfall averages 10-500 millimetres per year. The soil consists primarily of sand, has a high PH level and a low phosphorus content. To sustain and increase crop production, the application of fertilizers, pesticides and water is essential. Through the introduction of new and modern technology, fertilizers, imports of drought-resistant seeds, and other methods of cultivation, Saudi Arabia has succeeded in modernizing its agriculture sector throughout the 1990s. The introduction of greenhouses boosted cultivation of a wide range of fruit, vegetables, and exotic flowers. Saudi Arabia now exports vegetables and flowers around the world. Food exports in 1998 were valued at US\$0.44 billion.

AGRICULTURAL PRODUCTS

Canada's agri-food exports to Saudi Arabia are mainly cereal grains, mostly feed barley. In 1997-1998 (August-July), agri-food exports were valued at \$100 million of which 80% was bulk grains. In 1999-2000 total exports were valued at \$32 million and cereals consisted of only about \$16 million due to low exports of feed barley. For 2000-2001, exports (August-April) have recovered to \$60 million, of which

85% was feed barley.

Wheat

The production of all basic foods made significant advancements starting in the 1970s. Wheat is considered to reflect the strength of Saudi agriculture, based on the fact that nowhere else in the world has a field crop like wheat been cultivated on a large scale on desert land. The dramatic push for wheat production in the 1980s was designed to reduce the nation's dependence on imports and improve its food security. It added more than \$1 billion to the rural economy, and provided a way to distribute petroleum wealth to rural residents. It also created profits and incentives for new cropland investment and development and provided quick returns to farmers.

The support price for wheat has dropped from a high of US\$1,035 per tonne (t) in 1981 to the current price of US\$400/t with a quota of 1.8 Mt. Wheat production costs are estimated to range from US\$190/t to \$270/t, depending on farm size, irrigation well depth and overall farmer efficiency. Driven by large Saudi Arabian government subsidies, production exceeded consumption for the first time in 1985 and reached a peak of about 4.1 Mt in 1992.

During the period from 1985 to 1995, Saudi Arabia began to export their excess supplies. In 1996 lower subsidies caused production to decrease significantly and exports ceased. Production in 2001 is expected to be 1.8 Mt, unchanged for the last several years. Total domestic consumption is expected to be 1.9 Mt in 2001-2002. All aspects of wheat production and disposition continue to be controlled by the GSFMO. In 1998, wheat import tariffs increased from 12% to 100%. The GSFMO is currently discussing

SAUDI ARABIA: WHEAT SUPPLY AND DISPOSITION

| <i>April-March marketing year</i> | 1998 -1999 | 1999 -2000 | 2000 -2001e | 2001 -2002f |
|---------------------------------------|-----------------------|-----------------------|------------------------|------------------------|
| Harvested Area (thousand ha) | 335 | 400 | 400 | 400 |
| Yield (t/ha) | 5.37 | 4.50 | 4.50 | 4.50 |
|thousand tonnes..... | | | | |
| Carry-in Stocks | 775 | 775 | 775 | 775 |
| Production | 1,800 | 1,800 | 1,800 | 1,800 |
| Imports | 45 | 100 | 100 | 100 |
| Total Supply | 2,620 | 2,675 | 2,675 | 2,675 |
| Feed | 50 | 50 | 50 | 50 |
| Food, Seed, Industrial Use | 1,795 | 1,850 | 1,850 | 1,850 |
| Total Domestic Use | 1,845 | 1,900 | 1,900 | 1,900 |
| Exports | 0 | 0 | 0 | 0 |
| Carry-out Stocks | 775 | 775 | 775 | 775 |

e: estimate, f: forecast
Source: USDA

SAUDI ARABIA: BARLEY SUPPLY AND DISPOSITION

| April-March marketing year | 1998 -1999 | 1999 -2000 | 2000 -2001e | 2001 -2002f |
|-------------------------------|---------------|---------------|----------------|----------------|
| Harvested Area (thousand ha) | 57 | 57 | 57 | 57 |
| Yield (t/ha) | 7.02 | 7.02 | 7.02 | 7.02 |
|thousand tonnes..... | | | | |
| Carry-in Stocks | 1,474 | 1,527 | 977 | 677 |
| Production | 400 | 400 | 400 | 400 |
| Imports | 5,853 | 4,800 | 5,000 | 6,000 |
| Total Supply | 7,727 | 6,727 | 6,377 | 7,077 |
| Feed | 6,000 | 5,550 | 5,500 | 6,400 |
| Food, Seed, Industrial Use | 200 | 200 | 200 | 50 |
| Total Domestic Use | 6,200 | 5,750 | 5,700 | 6,450 |
| Exports | 0 | 0 | 0 | 0 |
| Carry-out Stocks | 1,527 | 977 | 677 | 627 |
| Imports (October-September) | 5,814 | 5,800 | 5,000 | 5,000 |

e: estimate, f: forecast

Source: USDA

privatization of the country's six flour mills with World Bank officials. When the mills become privatized, it is likely that the government will significantly reduce the wheat import tariff, to allow traders to buy wheat on the world market. The challenge will be to reconcile current wheat production policy with a liberalized trading policy.

Barley

Imported barley, mostly consumed as feed, for sheep, goats and camels, comprises about 95% of all domestic use. Farmers depend heavily on barley when pasture conditions in Saudi Arabia are poor.

Canadian feed barley exports (August-July) to Saudi Arabia have fallen from 1.05 Mt in 1996-1997 to about 300,000 tonnes (t) in 2000-2001 due to a lack of exportable supplies. In Canada, a growing livestock industry and changes in grain transport policies, have helped to make the domestic feed barley market more attractive. Saudi barley imports (April-March), estimated to be 5.0 Mt in 2000-2001, have come primarily from the European Union (EU), and to a lesser extent, Australia and other nations.

Until April 1998, all barley imports were purchased and distributed by the GSFMO. In April 1998, two private companies, were each given permission to import 25,000 t of barley. These purchases represented a major shift in Saudi grain policy towards liberalization of the Saudi barley market. Private traders were allowed to buy on the international market without restrictions and subsidies. March 4, 1999 marked the last barley import tender by the GSFMO of 1.14 Mt, and there now are approximately 8-10 private importers of barley.

0.4 Mt, despite the government support price of US\$267.67/t with a production quota of 1 Mt. Feed consumption is expected to increase to 6.4 Mt from 5.5 Mt in 2000-2001, as a result of poor pasture conditions. Imports are expected to increase to 6 Mt (April-March). However, feed barley imports from Canada are expected to decrease slightly from the 2000-2001 (August-July) level of 0.3 Mt due to lower supplies in Canada.

Other Grain

For 2001-2002, **sorghum** production is forecast at 200,000 t, the same as it has been since 1996-1997 and equals to the total domestic consumption required, therefore no imports are expected. **Corn** production for 2001-2002 is forecast at 4,000 t, the same since 1991-1992. Saudi imports indicate a gradual upward trend, which can be attributed to a growing livestock industry. In 2001-2002 imports are forecast at 1.6 Mt, compared to 1.5 Mt in 2000-2001 and 1.3 Mt in 1999-2000.

Oilseeds

The tariff on all oilseeds, vegetable oils, and oilseed meals is 12% with the exception of soybean meal, which is imported without tariff. As oilseed imports are not subsidized, imports of oilseeds for crushing for oil extraction have not been economic to date.

Soymeal imports have been increasing steadily since 1976 and are expected to reach a record 623,000 t in 2000-2001, 85% of which are sourced from the United States (U.S.). Soymeal is commonly used as an ingredient in both poultry and livestock rations. The current subsidy for soymeal is about US\$24/t.

On June 11, 2000, the Saudi Arabian government announced a temporary reinstatement of subsidies on barley imports due to high retail prices for imported barley. Subsidies of about US\$55/t are paid to importers, based on import prices of US\$130/t C&F. Corn and soymeal imports have been subsidized at the rate of US\$24/t.

For 2001-2002, production is forecast to remain constant at

Canola products are not widely used in Saudi Arabia. Canadian exports of canola in 1999-2000 were 25 t. The advantages of canola meal in dairy rations include a higher milk protein quality and improved milk production. However, to-date, no canola meal has been sold to Saudi Arabia due to subsidies provided to soymeal. Edible oil is imported in bulk and then refined and packed locally. Annual consumption of edible oils in Saudi Arabia is estimated at 246,000 t in 2000-2001, with a per capita consumption of 11.28 kg. The market for edible oils is dominated by **palm oil**, comprising about 91% of all imported oils. Other types of oil imported are olive and soybean oil. Palm oil is used extensively by Saudi food factories as well as catering companies. The growth in the Saudi market for edible oils is estimated at 2-5% annually based on factors such as the population growth rate and the increased consumer demand for fast convenience foods.

Special Crops

Currently, Saudi Arabian imports of Canadian special crops are relatively small, however it has proven to be a growth market. For 2000-2001, Canadian **dry pea** exports are expected to reach 4,000 t, **lentil** exports are forecast at 2,000 t, dry beans at 3,000 t and **chick peas** at 1,000 t. In addition, smaller volumes of **fababeans**, **mustard seed** and **canary seed** are exported. However, these export estimates include only direct exports and there are significant re-exports through other Middle-Eastern countries.

Poultry

Poultry consumption has steadily risen since 1975. The total 2001-2002 poultry production forecast is 410,000 t, which is about 55% of domestic consumption. Of this total, about 400,000 t is broiler meat. Per capita poultry consumption has increased slightly with a forecast of 33.4 kg in 2001-2002 from 32.5 kg in 1998-1999. Saudi Arabia is the largest importer of frozen poultry meat in the Middle East. Expansion projects at two of Saudi Arabia's largest poultry producers in 1996, caused poultry output to increase by 30%. As a result corn and soymeal exports to Saudi Arabia rose 26% from 1996-1997 to 2000-2001. Continued increases in per capita demand and population growth should result in a growing poultry sector and larger imports of corn and soymeal.

Dairy

Dairy operations in Saudi Arabia are quite advanced. The largest vertically integrated dairy operation in Saudi Arabia is Almarai

Company Ltd., accounting for 40% of the dairy products market. Almarai has over 19,000 lactating cows and approximately 19,000 dry and replacement cows on four farms. The company's dairy processing plant processes and packages approximately 500 million litres annually. Milk production in Saudi Arabia has reached an annual rate of 1,800 gallons per cow, one of the highest in the world. Saudi Arabia exports a significant volume of milk to Gulf countries.

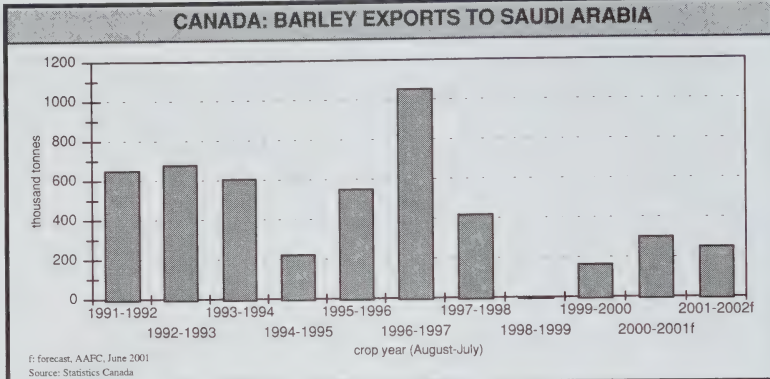
Livestock

About 11.5 million head (Mhd) of **sheep** are slaughtered annually in Saudi Arabia. Consumption is very high during the Eid Al Adha, or the Feast of Sacrifice, which commemorates Abraham's intention to sacrifice his son in fulfillment of God's order. Business usually stops five days prior to the event. This major celebration begins on the twelfth month of the Muslim lunar calendar and typically lasts four days. In 2001, the festivities took place in late February. During this very important Islamic holiday, about 3 million rams are consumed. On average, Saudi Arabia imports 5.5 Mhd of sheep annually. Somalia is the top supplier of sheep, goats and camels to Saudi Arabia but traditional suppliers include Sudan, Jordan, Syria, and New Zealand. Saudi Arabia has in the past also imported from suppliers such as China and Latin America. Market opportunities also exist for other countries but price competitiveness remains the biggest issue. With continued growth in the livestock industry, Saudi Arabia's demand for protein meal and barley is expected to increase.

Beef and veal production is estimated at 17,000 t for 2000-2001 which is the same as the last several years but down from the all time high of 30,000 t in 1994-1995. Consumption has been variable in the last 10 years, ranging from 62,000 t in 1990-1991 to 98,000 t in 1993-1994, and has been trending upwards. Consumption in 2000-2001 is expected to surpass 83,000 t. Imports have also been variable, and trending upwards. The EU provides over half of all exports to Saudi Arabia, but due to Foot and Mouth Disease in 2001, all EU beef and veal have been banned since January. It is not known when the ban will be lifted, but it is expected to last until the end of 2001. As a result, Saudi Arabia is expected to import more beef and veal from countries, such as Australia.

PROCESSED FOOD MARKET

With a population growth rate over 3%, and 50% of the population below the age of 18,



the Saudi Arabian food market is growing at a fast pace. Western influences, particularly satellite television, lifestyle models, and about 250 large, modern, western-style supermarkets are creating demand for higher value processed goods. The typical Saudi Arabian family is considered large by North American standards, thus large volume grocery products are very popular. For example, breakfast cereals have been a profitable market for the U.S. which is estimated to have shipped US\$18 million in cereals to Saudi Arabia in 2000. Cheeses and meats, excluding pork or pork derivatives, are imported mostly from Europe. Snack foods and cookies, cake mixes, and pancake mixes also enjoy popularity. Frozen foods are chosen over canned goods, due to the perception of greater "freshness."

Consumers are increasingly more price conscious but are also willing to pay a premium for quality. Nutritional value and packaging are also important considerations.

OUTLOOK

In 2001, the Saudi economy is expected to have slightly lower revenues from oil. The first balanced budget in 17 consecutive years reflects the government policy of shifting the responsibility for growth to the private sector. The government's seventh development plan emphasizes spending on schools, hospitals, and municipal services (water), in line with demographic demands, rather than agriculture. Saudi Arabia's interest in joining the WTO, should lead to lower import tariffs and domestic subsidies. With potentially lower domestic production, this may provide a larger export market.

Canadian barley exports to Saudi Arabia will depend on the availability of feed barley in Western Canada and the relationship

between domestic and international feed barley prices. The prospects for continued growth for imports of Canadian special crops, processed foods, and canola meal, as an alternative to soymeal, are favourable.

For more information :

Sergio Novelli,
Market Analyst
Phone: (204) 983-6865
E-mail: novellis@em.agr.ca

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500-303 Main Street
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Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|-------------------|------------------|-------------|--------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| | | | | | | | | | | | | | | | | | |
| Vancouver B.C. | This week | FOB | 152.66 | N/A | 150.66 | 161.00 | | 329.50 | (7) 250.50 | 153.00 | 280.00 | (4) 825.00 | 375.00 | | | | 395.00 |
| | Week ago | | 154.66 | N/A | 150.66 | 165.50 | | 332.50 | (7) 260.00 | 155.00 | 275.00 | (4) 825.00 | 365.00 | | | | 390.00 |
| Calgary | This week | FOB | 129.50 | 105.00 | 127.50 | 158.00 | | 324.00 | 179.00 | 230.00 | 230.00 | (4) 875.00 | 400.00 | | | | 390.00 |
| | Week ago | | 131.50 | 105.00 | 127.50 | 158.00 | | 328.50 | 179.00 | 230.00 | 230.00 | (4) 875.00 | 400.00 | | | | 390.00 |
| Saskatoon | This week | FOB | 126.00 | 125.00 | 128.00 | 140.00 | | 318.00 | 234.00 | 240.00 | 240.00 | (4) N/A | 400.00 | | 155.67 | | 420.00 |
| | Week ago | | 124.50 | 113.00 | 118.00 | 140.00 | | 321.50 | 244.00 | 240.00 | 240.00 | (4) N/A | 400.00 | | 152.00 | | 420.00 |
| Melfort | This week | FOB | 133.70 | 119.77 | 127.30 | | | | | | | | | | | | |
| Sask. | Week ago | | 136.90 | 111.55 | 130.10 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 102.25 | 107.14 | 115.80 | 122.00 | | 300.50 | 224.00 | | 275.00 | (4) 790.00 | 390.00 | | | | 380.00 |
| Man. | Week ago | | 104.25 | 111.57 | 116.60 | 127.00 | | 305.50 | 234.00 | | 275.00 | (4) 790.00 | 390.00 | | | | |
| Thunder Bay | This week | In-store | 136.90 | 137.66 | 133.30 | | | | | | | | | | | | |
| | Week ago | | 138.90 | 128.46 | 134.10 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 114.74 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 118.11 | | | | | | | | | | | |
| Bay Ports | This week | In-store | 157.90 | 203.00 | 172.00 | | | | | | | | | | | | |
| Ont. | Week ago | | 159.90 | 202.00 | 172.00 | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 121.45 | | | | | | | | | | | |
| | Week ago | | | | | 124.11 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 292.00 | (5) N/A | 415.00 | 450.00 | 135.00 | 220.00 | 320.00 |
| | Week ago | | | | | | | | | | 287.00 | (5) N/A | 425.00 | 450.00 | 132.00 | 223.00 | 320.00 |
| Hamilton | This week | N/A | | | | | FOB | 319.45 | N/A | | | | | | | | |
| | Week ago | | | | | | | 318.67 | N/A | | | | | | | | |
| Eastern | This week | FOB | | | | 123.17 | | | | | | | | | | | |
| Ontario | Week ago | | | | | 127.99 | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | 79.00 | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | 79.00 | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | FOB | 329.00 | 254.96 | 110.83 | 295.00 | (5) 770.00 | 281.00 | 450.00 | 137.00 | 230.00 | 380.00 |
| | Week ago | | | | | | | 334.83 | 258.60 | 109.00 | 290.00 | (5) 770.00 | 281.00 | 450.00 | 134.00 | 230.00 | 370.00 |
| Trois-Riv. | This week | In-store | 164.90 | | 168.30 | 136.02 | | | | | | | | | | | |
| Que. | Week ago | | 166.90 | | 169.10 | 138.67 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | 162.33 | 129.00 | 162.13 | (2) 130.90 | | | | | | | | | | | |
| St-Yacinthe, Que. | Week ago | | 164.73 | 129.00 | 162.93 | (2) 132.77 | | | | | | | | | | | |
| Quebec | This week | In-store | 165.93 | | 167.47 | 138.90 | FOB | 330.47 | | | | | | | | | |
| | Week ago | | 169.27 | | 168.27 | 141.82 | | 333.56 | | | | | | | | | |
| Truro | This week | Track | 198.27 | 191.02 | 194.22 | 172.05 | FOB | 350.75 | 284.00 | | 329.00 | | 365.00 | | | | 380.00 |
| | Week ago | | 196.82 | 191.02 | 194.22 | 172.05 | | 350.92 | 266.10 | | 323.50 | | 385.00 | | | | 370.00 |
| Truro | This week | Water | 193.20 | N/A | N/A | 171.25 | | | | | | | | | | | |
| | Week ago | | | N/A | N/A | 172.10 | | | | | | | | | | | |
| N.S. | This week | In-store | 184.20 | N/A | N/A | 162.25 | FOB | | | 292.75 | | (5) 725.00 | | | | | |
| | Week ago | | N/A | N/A | N/A | 163.10 | | | | 292.75 | | (5) 725.00 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1,000=Cdn \$1,5335 as of June 18, 2001

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat . No.1 Feed Oats . No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn . No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein , Gluten Meal 60% Protein, Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday June 18, 2001

| PRAIRIE GRAINS | | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|----------------------|--------------------------|--------|-----------|----------|-----------|----------|
| SELECTED POINT | PRICE BASIS | | | | | |
| From: Thunder Bay 2 | In-Store | WHEAT | 136.90 | 138.90 | 136.50 | 135.20 |
| | | OATS | 137.66 | 128.46 | 125.99 | N/A |
| | | BARLEY | 133.30 | 134.10 | 134.50 | 106.60 |
| To: Bayports, Ont. | In-store | WHEAT | 160.00 | 162.00 | 159.60 | 158.30 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 160.45 | 161.25 | 161.65 | 133.75 |
| Montreal, Que. | In-store | WHEAT | 164.75 | 166.75 | 164.35 | 163.05 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 165.57 | 166.37 | 166.77 | 138.87 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 187.22 | 189.22 | 186.82 | 185.52 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 191.93 | 192.73 | 193.13 | 165.23 |
| Truro, N.S. | Truck via Halifax | WHEAT | 184.72 | 186.72 | 184.32 | 183.02 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 187.05 | 187.85 | 188.25 | 160.35 |
| Halifax, N.S. | In-store | WHEAT | 172.05 | 174.05 | 171.65 | 170.35 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 173.37 | 174.17 | 174.57 | 146.67 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 231.83 | 233.83 | 231.43 | 230.13 |
| | | OATS | 243.86 | 234.66 | 232.19 | N/A |
| | | BARLEY | 240.44 | 241.24 | 241.64 | 213.74 |
| From: Melfort, Sask. | FOB | WHEAT | 133.70 | 136.90 | 125.50 | 121.20 |
| | | OATS | 119.77 | 111.55 | 108.04 | 88.92 |
| | | BARLEY | 127.30 | 130.10 | 126.50 | 97.60 |
| To: Bayports, Ont. | Track | WHEAT | 189.82 | 193.02 | 181.62 | 177.32 |
| | | OATS | 178.64 | 170.42 | 166.91 | 147.79 |
| | | BARLEY | 180.69 | 183.49 | 179.89 | 150.99 |
| Montreal, Que. | Track | WHEAT | 190.57 | 193.77 | 182.37 | 178.07 |
| | | OATS | 179.54 | 171.32 | 167.81 | 148.69 |
| | | BARLEY | 181.51 | 184.31 | 180.71 | 151.81 |
| Moncton, N.B. | Track | WHEAT | 211.75 | 214.95 | 203.55 | 199.25 |
| | | OATS | 202.88 | 194.66 | 191.15 | 172.03 |
| | | BARLEY | 193.62 | 196.42 | 192.82 | 163.92 |
| Truro, N.S. | Track | WHEAT | 211.92 | 215.12 | 203.72 | 199.42 |
| | | OATS | 203.85 | 195.63 | 192.12 | 173.00 |
| | | BARLEY | 207.24 | 210.04 | 206.44 | 177.54 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 255.26 | 258.46 | 247.06 | 242.76 |
| | | OATS | 251.23 | 243.01 | 239.50 | 220.38 |
| | | BARLEY | 255.53 | 258.33 | 254.73 | 225.83 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|-----------|----------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 114.74 | 118.11 | 119.34 | 117.08 |
| To: Montreal, Que. (US Corn) | In-store | | 133.64 | 137.01 | 138.24 | 135.98 |
| From: Saginaw (Mi) | Track | | 108.15 | 110.93 | 111.50 | 107.81 |
| To: Montreal, Que. (US Corn) | Track | | 135.69 | 138.47 | 139.04 | 135.35 |
| From: Chatham | Track | | 121.45 | 124.11 | 125.49 | 111.90 |
| To: Montreal, Que. | Track | | 144.34 | 147.00 | 148.38 | 134.79 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | |
|----------------------|--------------------------|--------|--------|--------|--------|
| From: Hamilton, Ont. | | 319.45 | 318.67 | 301.59 | 309.64 |
| To: Montreal, Que. | Track | 341.92 | 341.14 | 324.06 | 332.11 |
| Moncton, N.B. | Track | 359.23 | 358.45 | 341.37 | 349.42 |
| Truro, N.S. | Track | 362.20 | 361.42 | 344.34 | 352.39 |
| Stephenville, Nfld. | Track / Truck via Sydney | 411.46 | 410.68 | 393.60 | 401.65 |

- Prices include one month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
 Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

July 13, 2001 Volume 14 Number 12

WHEAT: SITUATION AND OUTLOOK

World wheat supplies for 2001-2002 are expected to decrease while consumption increases marginally and carry-out stocks are forecast to fall sharply. Prices are expected to increase from the 2000-2001 level due to lower production and carry-out stocks in the five major exporting countries (the United States [U.S.], European Union [EU], Canada, Australia, and Argentina). In Canada, for all wheat, production is forecast to decline from 2000-2001, due to lower yields and exports are forecast to increase marginally despite lower supplies. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for wheat for 2001-2002. "Wheat" refers to all wheat including durum, unless otherwise specified.

WORLD

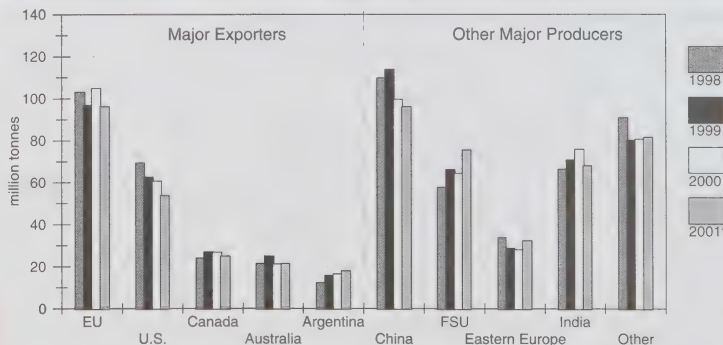
World wheat supplies for 2001-2002 are estimated by the United States Department of Agriculture (USDA) to decrease by about 20 million tonnes (Mt) from 2000-2001, to 726 Mt, due to lower carry-in stocks and production. Carry-in stocks are estimated at 158 Mt, about 10 Mt below 2000-2001. Production is estimated at 568 Mt, about 11 Mt below 2000-2001, and the lowest since 1995-1996. Consumption is projected to continue to increase, with human food use rising to 493 Mt, the second highest on record, while feed use of wheat is expected to decrease slightly, to 100 Mt. World carry-out stocks are expected to decline sharply, to 133 Mt, with the stock-to-use (S/U) ratio falling to 22%, the lowest recorded since 1972-1973. Wheat trade is expected to be about 107 Mt, 2 Mt above the five-year average, mainly due to continuing large imports into North Africa and South Asia, because of drought in these regions.

United States

Since 1996, area seeded to wheat in the U.S. has declined, largely due to the planting flexibility introduced by the Federal Agricultural Improvement and Reform (FAIR) Act, resulting in a shift of area into alternate crops such as soybeans and canola. However, due to above average yields, from 1996-1997 to 1999-2000, production exceeded consumption, and carry-out stocks increased steadily, reaching 950 million bushels (Mbu) in

1999-2000, two and a half times those of 1995-1996, and the highest since 1987-1988. The S/U ratio rose to a burdensome 40%, compared to 16% recorded at the end of 1995-1996. Prices steadily declined, as the burdensome stocks loomed over the market, and the average U.S. farm price fell to US\$2.48 per bushel (/bu) in 1999-2000, the lowest since 1986-1987.

WHEAT PRODUCTION: MAJOR PRODUCERS



Forecast, USDA July 2001, except Canada which is AAFC July 2001
Source: USDA



Harvested area for 2001-2002 is forecast to decrease by 7% from 2000-2001. Hard red winter (HRW) wheat yields are forecast to decline from the higher than normal level of 2000-2001. Dryness over the fall which delayed planting, combined with an unusually long winter and a cold rainy spring has led to high levels of abandonment. The result is an expected reduction in all wheat production by 11% from 2000-2001, to 1.97 billion bushels (Gbu), the lowest since 1988-1989. Increased export competition from other exporters, is expected to reduce U.S. exports slightly to 1.05 Gbu. Domestic use is expected to decline by about 3%, due to lower feed use. Carry-out stocks are forecast to fall sharply to 610 Mbu,

about 30% below 2000-2001, with a S/U ratio of 26%. The average U.S. farm price is forecast by USDA at US\$2.70-3.30/bu, with the midpoint up by US\$0.38/bu from 2000-2001.

The U.S. has not used the Export Enhancement Program (EEP) since 1995. Instead, the USDA used credit and food aid programs such as the U.S. Export Credit Guarantee Program (GSM)-102 and Public Law (PL)-480 to stimulate increased exports, and to use Loan Deficiency Payments (LDP) and other direct government payments to support farm income. For 2000-2001, about 1.78 Gbu (80%) of the 2000 wheat crop had received a LDP, averaging US\$0.44/bu, versus US\$0.47/bu for all

of 1999-2000. Based on the USDA farm price forecast, average LDPs will decline sharply for 2001-2002. However, with prices expected to remain depressed until after harvest, many farmers may take advantage of relatively high LDP levels early in the crop year.

The European Union

For 2001-2002, EU wheat area has declined by 6%, mainly due to a wet fall in 2000. Yields are expected to decline from last year, due to cool wet weather in the north, and dry conditions in the south, which is expected to result in a 9 Mt decrease in production, to 96 Mt.

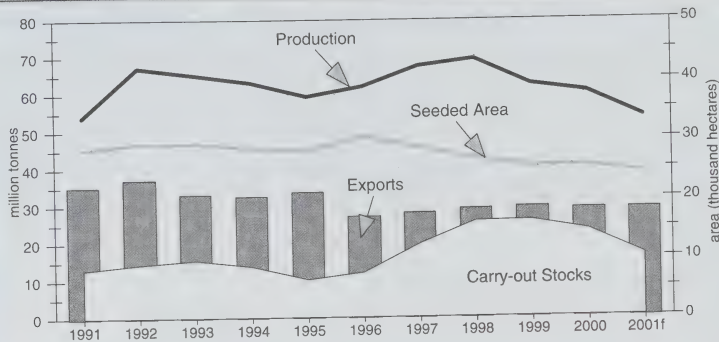
WHEAT: SUPPLY AND DISPOSITION

| | WORLD (July-June) | | | UNITED STATES (June-May) | | | EUROPEAN UNION (July-June) | | |
|------------------|--------------------------|---------------|---------------|----------------------------------|---------------|---------------|-------------------------------|---------------|---------------|
| | 1999 -2000 | 2000 -2001 | 2001 2002f | 1999 -2000 | 2000 -2001 | 2001 2002f | 1999 -2000 | 2000 -2001 | 2001 2002f |
| |million tonnes..... | | | | | | | | |
| Carry-In Stocks | 174.63 | 167.83 | 157.75 | 25.74 | 25.85 | 23.76 | 18.07 | 14.41 | 16.10 |
| Production | 586.78 | 578.53 | 567.80 | 62.57 | 60.50 | 53.72 | 96.80 | 104.92 | 96.14 |
| Imports | - | - | - | 2.57 | 2.45 | 2.59 | 4.18 | 4.20 | 4.50 |
| Supply | 761.41 | 746.36 | 725.55 | 90.88 | 88.80 | 80.07 | 119.05 | 123.53 | 116.74 |
| Consumption | 593.58 | 588.61 | 592.55 | 35.38 | 36.06 | 34.89 | 87.21 | 92.43 | 88.57 |
| Exports | - | - | - | 29.65 | 28.98 | 28.58 | 17.43 | 15.00 | 13.50 |
| Demand | 593.58 | 588.61 | 592.55 | 65.03 | 65.04 | 63.47 | 104.64 | 107.43 | 102.07 |
| Carry-Out Stocks | 167.83 | 157.75 | 133.00 | 25.85 | 23.76 | 16.60 | 14.41 | 16.10 | 14.67 |
| Trade | 112.40 | 103.02 | 107.30 | | | | | | |
| | CHINA (July-June) | | | AUSTRALIA (October-September) | | | CANADA (August-July) | | |
| | 1999 -2000 | 2000 -2001 | 2001 2002f | 1999 -2000 | 2000 -2001 | 2001 2002f | 1999 -2000 | 2000 -2001 | 2001 2002f |
| |million tonnes..... | | | | | | | | |
| Carry-In Stocks | 66.44 | 65.16 | 50.56 | 1.87 | 3.87 | 3.59 | 7.44 | 7.75 | 8.65 |
| Production | 113.88 | 99.60 | 96.00 | 25.01 | 21.17 | 21.50 | 26.90 | 26.80 | 24.95 |
| Imports | 1.01 | 0.50 | 2.00 | 0.05 | 0.05 | 0.05 | 0.01 | 0.06 | 0.02 |
| Supply | 181.33 | 165.26 | 148.56 | 26.93 | 25.09 | 25.14 | 34.35 | 34.61 | 33.62 |
| Consumption | 115.63 | 114.00 | 113.00 | 5.22 | 5.50 | 5.20 | 8.29 | 8.71 | 8.42 |
| Exports | 0.54 | 0.70 | 0.50 | 17.84 | 16.00 | 16.50 | 18.31 | 17.25 | 17.40 |
| Demand | 116.17 | 114.70 | 113.50 | 23.06 | 21.50 | 21.70 | 26.60 | 25.96 | 25.82 |
| Carry-Out Stocks | 65.16 | 50.56 | 35.06 | 3.87 | 3.59 | 3.44 | 7.75 | 8.65 | 7.80 |

f: forecast, USDA July 2001, except Canada which is AAFC July 2001

Source: USDA (FAS), Statistics Canada

U.S.: WHEAT SUPPLY AND DISPOSITION



f. forecast, USDA, July 2001
Source: USDA

Due to concerns about the availability of sufficient supplies of milling quality wheat and strong domestic demand for lower priced feed wheat, the EU is not expected to be aggressive with export subsidies, which are expected to be similar to 2000-2001. For 2001-2002, exports are projected to fall to a six-year low of 13.5 Mt. Domestic consumption is expected to fall, largely due to decreased feed use, and is forecast at 89 Mt. Carry-out stocks are forecast to decrease by 9% to 14.7 Mt, with a S/U ratio of about 14%, slightly below the five-year average.

Regarding export subsidies, the World Trade Organization (WTO) limit for the EU for 2001-2002 is 14.4 Mt. This implies that all wheat could be exported with subsidy, but reduced supplies for 2001-2002 make it unlikely that aggressive subsidies will be used. For 2000-2001, the EU granted only 5.9 Mt of export licenses under the weekly export tenders to non-African Caribbean Pacific (ACP) countries, with an average subsidy of €7.18 (US\$6.61) per tonne (/t), with 1.1 Mt at a zero subsidy. These unsubsidized exports were possible because of the lower EU intervention price and the lower value of the euro, as well as the restriction of export subsidies due to concerns about domestic supplies of milling quality wheat. Under the terms of Agenda 2000, effective July 1, 2000, the

intervention price was lowered to €110.25/t, from €119.19/t for 1999-2000 and it was further lowered to €101.31/t on July 1, 2001 (US\$85/t using the July 6, 2001 exchange rate). As of July 6, 2001, the €/US\$ exchange rate was 0.837, versus 0.955 on July 3, 2000.

The U.S. soft red winter (SRW) Gulf price, against which the value of French soft wheat is compared, averaged US\$103/t for nearby delivery in 2000-2001 (June-May crop year). It is currently trading around US\$100/t and is expected to slowly rise throughout 2001-2002. Assuming that the €/US\$ exchange rate remains near current low levels, it is likely that a significant portion of the 2001-2002 crop will be exported without a subsidy.

Australia

Australian 2001-2002 production forecasts are tentative at this time as the crop has just been seeded. Recent rains have eased concerns over dry seeding conditions. Production is forecast by the USDA at 21.5 Mt, up from 21 Mt in 2000-2001. Exports are forecast to increase by 3%, to 16.5 Mt (October-September).

Argentina

As with Australia, production forecasts are tentative. Area seeded is forecast to increase by 10% as expected wheat prices are relatively higher than prices

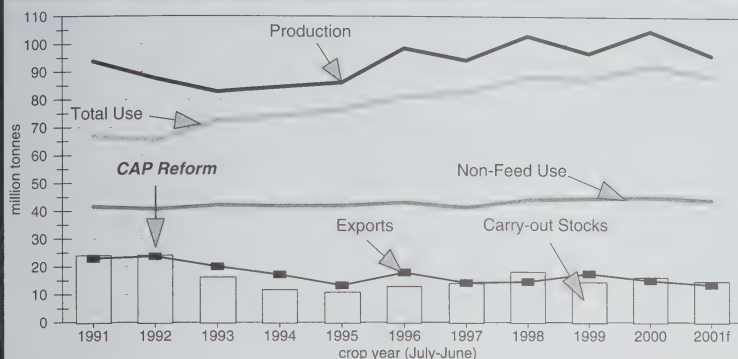
for corn and sunflowers. Producers can grow wheat, followed by soybeans in the same growing season. Producers have increased seeding of new French wheat varieties, which is forecast to result in higher yields and lower milling quality. Production is forecast to rise by 9%, to a record 18 Mt. Exports are expected to be up 13% from 2000-2001, at a record 13 Mt (December- November).

China

China is the world's second largest wheat producer, and had been the largest wheat importer in many years, although imports have been small since 1995-1996. Area seeded decreased to the lowest level since 1970-1971, largely due to lower government support, particularly for lower quality wheat. Also, dry conditions in some of the major winter wheat regions are expected to reduce average yields. For 2001-2002, production is forecast to decrease by 4% from 2000-2001, to 96 Mt. With lower carry-in stocks, imports are forecast to increase from 0.5 Mt in 2000-2001 to 2 Mt, but remain well below the 10 Mt or higher levels seen throughout the 1980s and early 1990s. For 2001-2002, imports from Canada are expected to increase to about 0.5 Mt, from negligible levels in 2000-2001.

Over the longer term, increased imports will be required to match the growing wheat demand, which has exceeded production every year since the mid-1970s, except 1997-1998. Changes to China's internal price support and import control policies, in preparation for WTO membership, are also expected to increase imports of wheat. In May 2001, the World Agricultural Supply and Demand Estimates (WASDE) report incorporated significant revisions to the USDA's estimates of China's wheat consumption and stocks, beginning with the 1980-1981 crop year. The USDA lowered its consumption estimates, which raised estimated Chinese wheat stocks to levels

EU: WHEAT SUPPLY AND DISPOSITION



f: forecast, USDA, July 2001
Source: USDA

consistent with China's food policies. Therefore, a return to large import levels will be further in the future than earlier expected. China prefers to hold large wheat stocks as insurance against crop failures or other disruptions that could constrict supplies or force a reliance on wheat imports.

North Africa

The North African countries of Algeria, Morocco, Tunisia, and Libya constitute the world's largest durum market. For 2001-2002, after the previous two years of drought conditions, the International Grains Council (IGC) has forecast North African durum production to increase by 1.3 Mt from 2000-2001 to 3.2 Mt, near the five-year average of 3.3 Mt, due to improved growing conditions, although production in Algeria will remain below normal. Durum imports are forecast by IGC to fall by 10% from 2000-2001, to 3.3 Mt, but remain above the five-year average of about 3 Mt. Canadian durum exports to North Africa are projected by Agriculture and Agri-Food Canada (AAFC) to be similar to 2000-2001, at about 2 Mt.

Middle East

Many Middle Eastern countries, particularly Syria, Iraq, and Iran, are expected to experience their third year of drought in 2001-2002, and wheat production in this region is estimated at

only 31 Mt, compared to the five-year average of 33 Mt. As a result, regional imports are expected to be slightly above 2000-2001, at 18 Mt, versus the five-year average of 16 Mt. The major Canadian market in this region is Iran, which is expected to purchase 1.5-2.0 Mt of Canadian wheat in 2000-2001, compared to 3.3 Mt in 1999-2000, and the five-year average of 1.8 Mt. This, however, is expected to decline in 2001-2002, despite continued strong demand from Iran, due to reduced Canadian supplies.

Canada

For non-durum wheat, area seeded, almost 85% of which is Canada Western Red Spring (CWRS) wheat, has risen by 9% to 9.3 million hectares (Mha), the highest since 1996-1997, and slightly above the five-year average of 9 Mha. Due to weaker expected prices for durum wheat in the spring of 2001, farmers shifted a portion of land into non-durum wheat production.

Production of non-durum wheat is forecast at 20.7 Mt, down 2% from 2000-2001 due to lower yields resulting from dry conditions in parts of Saskatchewan and Alberta. Carry-in stocks are forecast to decrease slightly for 2001-2002, and supplies are expected to be 2% lower than for 2000-2001, at 26.7 Mt. Domestic use is forecast to decrease as lower feed

use offsets higher milling use. Due to lower supplies, exports are forecast to decrease slightly to 13.5 Mt, the third lowest since 1988-1989 and below the 10-year average of 16 Mt. Carry-out stocks are projected to decline by 3%, to 5.7 Mt. Ontario wheat production is estimated at 1.2 Mt, down by 21% from 2000-2001, due to reduced seeded area and increased winter kill, caused by snow mould.

For durum, area seeded has fallen to 2.2 Mha, 15% lower than 2000-2001, due to smaller expected durum price premiums and large stocks.

Production of durum wheat is estimated at 4.3 Mt, 25% lower than 2000-2001, and the lowest since 1993-1994. Carry-in stocks are forecast to increase to a record 2.7 Mt, however, partly offsetting the reduced production. Supplies are projected to decrease by 7%, to 7 Mt, but remain the second highest on record. Exports are projected to increase by 10%, to 3.9 Mt. Import demand from North Africa will remain strong due to drought in Algeria, and exports to the EU are expected to increase due to a poor Italian crop. However, Canadian exports will be limited by competition from other exporters such as the U.S., Australia, Syria, Turkey, and Mexico. Carry-out stocks are expected to fall by 22%, to 2.1 Mt, but remain well above the five-year average of 1.6 Mt.

PRICE OUTLOOK: 2001-2002

For 2001-2002, wheat prices will be supported by the expected decrease in world carry-out stocks. World wheat prices are most highly correlated with the level of stocks in the major exporting countries (the U.S., EU, Canada, Australia, and Argentina). Carry-out stocks in the five major exporting countries are forecast to decrease by 18%, to about 43 Mt, versus the five-year average of 47 Mt. AAFC forecasts that world prices, as measured by the benchmark U.S. Hard Winter Ordinary (HWO) price, free on board (FOB) Gulf ports, will increase

NEW PRICING OPTIONS FOR CANADIAN WHEAT PRODUCERS

Canadian Wheat Board

The CWB approved a new fixed price contract in March 2000 for the 2000-2001 crop year, which allowed western Canadian wheat producers to fix a price or basis for CWRS wheat. The fixed price is calculated using the midpoint of the PRO for No.1 CWRS, 13.5% protein, I/S VC/SL, minus a discount for risk, administration and the time value of money. For the basis contract, the basis equals the fixed price minus the Minneapolis futures price, adjusted to Canadian dollars per tonne, and the producer can lock in a price, based on the daily movement of the MGE, at any point in time prior to either delivery, or the first notice day of the expiry of the contract. Discounts or premiums for other grades are based on the initial payment spreads at time of delivery.

In February, 2001, the CWB introduced the following changes to the contract for the 2001-2002 crop year: all classes of non-durum wheat can now be contracted; contracts will be available on a daily basis, beginning with the release of the March 2001 PRO for 2001-2002 and ending July 31, 2001; for basis contracts, producers can choose the delivery month and roll the contract to more distant futures months including May or July 2002; producers are able to price a basis contract after delivery; and a fixed price contract for feed barley is also offered as a pilot project.

Ontario Wheat Producers' Marketing Board

A detailed examination of the off-Board direct marketing option for Ontario wheat producers was presented in *Bi-weekly Bulletin Volume 12, Number 21 (November 5, 1999)*. For 2001-2002, 150,000 tonnes (t) of Ontario wheat is exempt from being marketed through the Board. For 2002-2003 and 2003-2004, the exemption will rise to 200,000 t.

from US\$127/t in 2000-2001 (June-May), to about US\$140/t for 2001-2002.

U.S. Wheat Price Outlook

The major wheat futures markets are located in the U.S. The prices determined in U.S. markets generally provide direction to world prices and in turn, they react to world factors. The prices obtained by the Canadian Wheat Board (CWB) are therefore, in large part, determined by U.S. crop conditions, domestic consumption and exports. U.S. wheat prices are expected to be higher than in 2000-2001, with the average U.S. farm price forecast by USDA to rise by US\$0.38/bu, to US\$3.00/bu, since carry-out stocks, and the S/U ratio, are expected to be significantly lower than in 2000-2001. Higher prices are expected for all classes of wheat, particularly HRW.

For **HRW**, U.S. production is forecast by USDA at 781 Mbu, down 7% from 2000-2001, and the S/U ratio is forecast to decline from 46% in 1999-2000 to 28% in 2000-2001. This is expected to result in the average nearby Kansas City Board of

Trade (KCBT) HRW price increasing by 8%, to US\$3.35/bu.

For **SRW**, the S/U ratio is forecast to decrease to 21% from 29% in 2000-2001. AAFC forecasts that the average nearby SRW price on the Chicago Board of Trade will rise to US\$2.80/bu, from about US\$2.65/bu in 2000-2001.

For hard red spring (**HRS**), U.S. production is forecast by the USDA to decrease by 5%, to 473 Mbu, largely due to a return to normal yields. Carry-out stocks are forecast to decrease by 14%, to 181 Mbu, with the S/U ratio falling from 37% in 2000-2001 to 32% in 2001-2002. Due to the relatively tighter HRW stocks, the premium for HRS, on the Minneapolis Grain Exchange (MGE), over HRW, on the KCBT, is forecast by AAFC to remain near the 2000-2001 average of US\$0.10/bu, well below the 1999-2000 average of US\$0.44/bu. The average HRS nearby price is forecast at US\$3.45/bu, up 8% from 2000-2001. Protein premiums are also expected to remain strong due to reduced supplies of both U.S. and Canadian spring wheat. The MGE

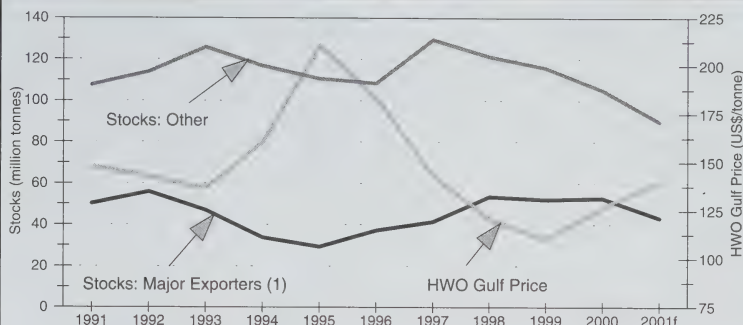
premium for 14% protein is projected to average US\$0.45/bu, similar to 2000-2001, and the MGE Dark Northern Spring 14% protein (DNS 14) cash price is forecast to average US\$3.90/bu, up about US\$0.30/bu from 2000-2001.

For **durum**, U.S. production is forecast to fall by 15% from the 2000-2001 crop, to 94 Mbu, the lowest since 1997-1998. As a result, carry-out stocks are forecast to fall by 27%, to 33 Mbu, with the S/U at 25%, the lowest since 1997-1998. The average 2001-2002 MGE futures price is forecast at US\$4.75/bu, versus the average nearby MGE price of US\$4.44/bu for 2000-2001. World durum prices will also be supported by the smaller North American crop and strong export demand, due to the poor conditions in parts of North Africa and southern Europe. The No.3 Hard Amber Durum (HAD) export price FOB Gulf is expected to rise slightly from 2000-2001, to about US\$160/t.

Canadian Price Outlook

The June CWB 2001-2002 Pool Return Outlook (PRO) for No.1 CWRS with 13.5% protein is \$222/t in-store

WHEAT: STOCKS VERSUS HWO GULF PRICE



(1) US, EU, Canada, Australia and Argentina

f: forecast, USDA July 2001, except HWO Gulf Price, which is an AAFC July 2001

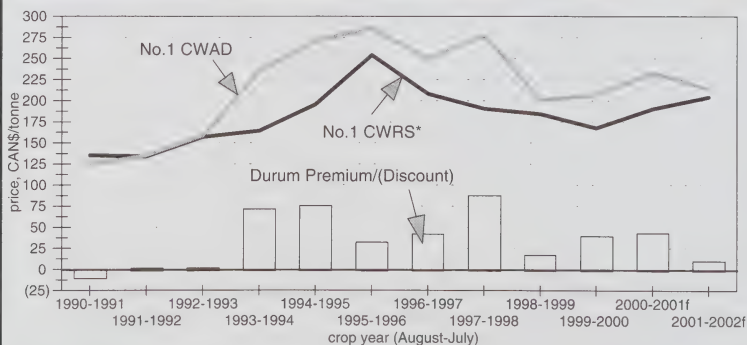
Source: USDA

Vancouver or St. Lawrence (I/S VC/SL), up by \$11/t from the 2000-2001 PRO. The PRO for No.1 CWRS 11.5% is up by \$14/t from No.1 CWRS in 2000-2001, while the PROs for No.3 CWRS and Canada Prairie Spring (CPS) red wheat are \$9/t and \$10/t higher than for 2000-2001 respectively. This is consistent with the AAFC outlook for U.S. wheat prices. The CWB generally receives prices for high protein No.1 and No.2 CWRS wheat that are competitive with U.S. prices for DNS wheat, while lower protein CWRS wheat and CPS wheat are competitive with U.S. HRW wheat. Canadian wheat prices are also being supported by the lower value of the Canadian dollar.

Based on the June PRO, the western Canadian average on-farm price for No.1 CWRS 13.5 % protein will be about \$175/t, compared to \$165/t for 2000-2001.

In Ontario, the 2001-2002 Ontario Wheat Producers' Marketing Board (OWPMB) April 17, 2001 Pool Price Projection for No.1 or 2 Canada Eastern White Winter (CEWW) wheat is \$135-145/t, terminal or processor position, about \$30/t higher than for 2000-2001. The OWPMB initial payment for No.1 CEWW wheat has been set at \$102/t, terminal or processor position, compared to \$81/t in 2000-2001.

CANADIAN WHEAT BOARD: FINAL REALIZED WHEAT PRICES (1)



f: forecast, CWB PRO

Source: 1990-1991 to 1999-2000; CWB final pool returns

(1) I/S VC/TB to 1994-1995; I/S VC/SL 1995-1996 to date

* 11.5% after 1999-2000

The 2001-2002 PRO for No.1 Canada Western Amber Durum (CWAD) with 11.5% protein is \$214/t I/S VC/SL, down \$19/t from 2000-2001. A premium of \$10/t over No.1 CWRS 11.5% is forecast, versus \$43/t in 2000-2001. A western Canadian average on-farm price of about \$170/t for No.1 CWAD 11.5% is expected, compared to \$189/t in 2000-2001.

For more information:

Glenn Lennox
Wheat Analyst

Phone: (204) 983-8465

E-mail: lennoxg@em.agr.ca

or

Bobby Morgan
Market Analyst

Phone: (204) 984-0680

E-mail: morganb@em.agr.ca

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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CANADA: GRAINS AND OILSEEDS OUTLOOK

JULY 9, 2001

Production of grains and oilseeds in Canada for 2001-02 is forecast by AAFC to decline by 3%, to 60 million tonnes (Mt), based on Statistics Canada's June 29 survey of area seeded. In western Canada, the area for spring wheat, oats, flaxseed, dry peas, chick peas, lentils and summerfallow has increased, while the area for durum wheat, barley, canola, and most other special crops has decreased. In eastern Canada, the area seeded to corn has expanded to a record high, while the area seeded to wheat and soybeans has decreased from 2000-01. Continuing dry conditions in southern Alberta and much of Saskatchewan are expected to result in below normal yields. If timely rain is not received over the next few weeks, yields could fall below current projections. In Manitoba, moisture conditions are generally excessive, and warm dry weather will be required to achieve normal yields. Crop development in Manitoba is near normal, while Alberta and Saskatchewan are ahead of normal due to the dry conditions. In eastern Canada, weather conditions have been favourable, which is expected to result in higher yields for corn and soybeans.

Total exports of grains and oilseeds are forecast to decline marginally, to 27 Mt. A decrease in non-durum wheat, barley, oat and canola exports will be partly offset by increased exports of durum, corn, flaxseed and soybeans. Canadian spring wheat prices are expected to be higher than in 2000-01, while durum prices are expected to decline. Feed barley and oat prices are forecast to be slightly higher than in 2000-01, while corn and malting barley prices are expected to decline. Oilseed prices are projected to increase, except for soybeans. The major factors to watch are: growing conditions in the major importing and exporting regions, China's accession to the WTO and the Canada/US exchange rate.

WHEAT (ex-durum)

Production is forecast to decrease slightly, despite a 9% increase in area, as a result of lower expected yields in Alberta and Saskatchewan. Exports are forecast to decline marginally, to 13.5 Mt, due to smaller exports from Ontario, with western exports projected to remain similar to 2000-01. Feed use is expected to decline due to tight supplies, but remain historically high because of strong hog feed demand. Carry-out stocks are expected to decline slightly to 5.7 Mt, vs the 5-year average of 5.8 Mt. The Canadian Wheat Board (CWB) June 2001-02 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is down by \$4/t from May, at \$204/t, in-store Vancouver/St. Lawrence, but \$14/t above 2000-01. Ontario winter wheat production is forecast to fall by 26%, to 1.0 Mt, due to winterkill resulting from snow mold. The Ontario Wheat Producers' Marketing Board's Pool Price Projections for No.1 CEWW wheat are \$135-145/t, about \$30/t above 2000-01.

DURUM

Production is expected to fall by 25% due to lower seeded area and below-normal yields. This will be partly offset by a 51% increase in carry-in stocks, and supplies will remain 10% above the 5-year average. Exports are forecast to rise by 10%, due to continuing strong world demand, with poor crops in parts of North Africa for the third year in a row. Domestic feed use is expected to return to normal levels from the high level of 2000-01, assuming normal crop quality. Carry-out stocks are projected to decline to 2.1 Mt, but remain well above the 5-year average of 1.6 Mt. The CWB 2001-02 PRO for No.1 CWAD 11.5% protein is \$214/t, unchanged from last month, and \$19/t below 2000-01. A \$10/t premium over No.1 CWRS 11.5 is forecast, vs. \$19/t in 2000-01.

BARLEY

Production is forecast to decrease by 6% from 2000-01, due to lower yields, lower seeded area, and relatively high forage use. Despite higher carry-in stocks, supplies are forecast to decrease. Feed use in eastern Canada is forecast to decrease due to increased corn production in Ontario. Barley exports are forecast to decline due to lower feed barley exports. Malting barley exports are expected to rise slightly due to continued strong demand, especially from the U.S. Carry-out stocks are forecast to decrease, supporting off-Board feed barley prices. The CWB PRO for No.1 CW Feed Barley is \$149/t, up \$8/t from 2000-01. Prices for malting barley are forecast to decline due to increased world supplies. The CWB PRO for Special Select 2-Row Designated barley is \$196/t, vs the 2000-01 PRO of \$203/t.

OATS

Production is forecast to increase due to higher area seeded, but supplies are expected to fall as a result of lower carry-in stocks. Exports are forecast to decrease slightly due to the lower supplies. Carry-out stocks are forecast to decrease and prices are expected to increase slightly.

CORN

Production is forecast to rise sharply, due to a record area seeded and a return to normal yields in Eastern Canada. Supplies are forecast to rise as higher production more than offsets the lower carry-in stocks. Imports are expected to fall sharply, due to higher domestic supplies and improved quality. Feed use is forecast to rise slightly as a result of higher domestic corn supplies and lower supplies of feed wheat in Ontario. Despite projected higher exports, carry-out stocks are expected to increase. Prices are forecast to fall slightly from 2000-01, due to a weaker Chicago-Chatham basis.

CANOLA

Production is forecast to decrease by 26%, due to an 18% reduction in harvested area to the lowest level since 1996-97, combined

with an expected decline in yields. Supplies are forecast to drop by 30% due to the sharp decline in carry-in stocks and production. Domestic crush is expected to decrease due to tight supplies and low crush margins. Exports, to China in particular, are expected to decrease, due to lower supplies and higher prices. Carry-out stocks are forecast to decline to historically very tight levels. Canola prices are expected to increase due to relatively tight world supplies related to lower production in the EU, Canada, and Australia, higher premiums for canola oil relative to other vegetable oils and USDA's June 29 area seeded report implying lower-than-expected US soybean production.

FLAXSEED (excluding solin)

Production is forecast to rise by 25% due to higher harvested area. However, supplies are expected to increase slightly due to lower carry-in stocks. Exports to the EU are forecast to return to normal levels due to the drop in EU production. This is expected to support prices which are forecast to increase by 5%.

SOYBEANS

Production is expected to be relatively unchanged from 2000-01, as lower seeded area is offset by higher yields. Supplies are forecast to rise slightly due to record high carry-in stocks and historical large imports for crushing. Domestic crush is expected to remain stable, while exports increase. Carry-out stocks are forecast to fall slightly. Prices are expected to decline slightly due to lower US soybean prices.

FURTHER INFORMATION:

Wheat Glenn Lennox (204) 983-8465
E-mail lennoxg@em.agr.ca
Coarse Grains Dennis Jackson 983-8461
E-mail jacksond@em.agr.ca
Oilseeds Chris Beckman 984-4929
E-mail beckmac@em.agr.ca
Fred Oleson, Chief 983-0807
E-mail olesonf@em.agr.ca

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CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

JULY 9, 2001

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1999-2000 | 1,760 | 2.44 | 4,300 | 9 | 6,257 | 3,575 | 263 | 381 | 896 | 1,785 | 207 |
| 2000-2001 f | 2,614 | 2.16 | 5,647 | 12 | 7,444 | 3,550 | 265 | 719 | 1,194 | 2,700 | 233 * |
| 2001-2002 f | 2,210 | 1.92 | 4,250 | 5 | 6,955 | 3,900 | 265 | 465 | 955 | 2,100 | 214 ** |
| Wheat Except Durum | | | | | | | | | | | |
| 1999-2000 | 8,606 | 2.63 | 22,600 | 6 | 28,093 | 14,737 | 2,693 | 3,870 | 7,391 | 5,964 | 168 |
| 2000-2001 f | 8,349 | 2.53 | 21,157 | 48 | 27,169 | 13,700 | 2,700 | 3,919 | 7,519 | 5,950 | 190 * |
| 2001-2002 f | 9,085 | 2.28 | 20,700 | 10 | 26,660 | 13,500 | 2,735 | 3,865 | 7,460 | 5,700 | 204 ** |
| All Wheat | | | | | | | | | | | |
| 1999-2000 | 10,367 | 2.59 | 26,900 | 14 | 34,349 | 18,313 | 2,956 | 4,251 | 8,288 | 7,749 | |
| 2000-2001 f | 10,963 | 2.44 | 26,804 | 60 | 34,613 | 17,250 | 2,965 | 4,638 | 8,713 | 8,650 | |
| 2001-2002 f | 11,295 | 2.21 | 24,950 | 15 | 33,615 | 17,400 | 3,000 | 4,330 | 8,415 | 7,800 | |
| Barley | | | | | | | | | | | |
| 1999-2000 | 4,069 | 3.24 | 13,196 | 33 | 15,966 | 2,392 | 393 | 9,752 | 10,586 | 2,988 | 110 |
| 2000-2001 f | 4,551 | 2.96 | 13,468 | 50 | 16,506 | 2,500 | 360 | 10,091 | 10,906 | 3,100 | 125-130 |
| 2001-2002 f | 4,482 | 2.83 | 12,680 | 30 | 15,810 | 2,350 | 360 | 9,970 | 10,785 | 2,675 | 115-145 |
| Corn | | | | | | | | | | | |
| 1999-2000 | 1,141 | 8.03 | 9,161 | 1,023 | 11,069 | 226 | 2,020 | 7,240 | 9,291 | 1,552 | 107 |
| 2000-2001 f | 1,088 | 6.27 | 6,827 | 2,100 | 10,478 | 100 | 2,125 | 7,198 | 9,354 | 1,025 | 115-120 |
| 2001-2002 f | 1,246 | 7.57 | 9,425 | 850 | 11,300 | 600 | 2,225 | 7,268 | 9,525 | 1,175 | 100-130 |
| Oats | | | | | | | | | | | |
| 1999-2000 | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,532 | 191 | 1,768 | 2,119 | 1,082 | 128 |
| 2000-2001 f | 1,299 | 2.61 | 3,389 | 5 | 4,476 | 1,725 | 190 | 1,688 | 2,051 | 700 | 130-135 |
| 2001-2002 f | 1,401 | 2.44 | 3,425 | 4 | 4,129 | 1,625 | 210 | 1,626 | 2,004 | 500 | 120-150 |
| Rye | | | | | | | | | | | |
| 1999-2000 | 169 | 2.29 | 387 | 4 | 557 | 85 | 69 | 223 | 311 | 161 | |
| 2000-2001 f | 115 | 2.27 | 260 | 5 | 426 | 90 | 75 | 140 | 236 | 100 | |
| 2001-2002 f | 98 | 2.19 | 215 | 5 | 320 | 80 | 75 | 80 | 176 | 65 | |
| Mixed Grains | | | | | | | | | | | |
| 1999-2000 | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001 f | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002 f | 142 | 2.75 | 391 | 0 | 391 | 0 | 0 | 391 | 391 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1999-2000 | 6,930 | 3.87 | 26,832 | 1,064 | 32,772 | 4,235 | 2,673 | 19,429 | 22,754 | 5,783 | |
| 2000-2001 f | 7,181 | 3.39 | 24,327 | 2,160 | 32,269 | 4,415 | 2,750 | 19,499 | 22,929 | 4,926 | |
| 2001-2002 f | 7,369 | 3.55 | 26,136 | 889 | 31,951 | 4,655 | 2,870 | 19,335 | 22,881 | 4,415 | |
| Canola | | | | | | | | | | | |
| 1999-2000 | 5,564 | 1.58 | 8,798 | 124 | 9,556 | 3,885 | 2,983 | 543 | 3,565 | 2,106 | 288 |
| 2000-2001 f | 4,816 | 1.48 | 7,119 | 250 | 9,475 | 4,600 | 3,000 | 685 | 3,725 | 1,150 | 285-295 |
| 2001-2002 f | 3,955 | 1.33 | 5,275 | 250 | 6,675 | 3,450 | 2,450 | 330 | 2,825 | 400 | 310-340 |
| Flaxseed | | | | | | | | | | | |
| 1999-2000 | 777 | 1.32 | 1,022 | 2 | 1,175 | 568 | n/a | n/a | 221 | 386 | 237 |
| 2000-2001 f | 591 | 1.17 | 693 | 10 | 1,089 | 600 | n/a | n/a | 210 | 280 | 255-265 |
| 2001-2002 f | 644 | 1.34 | 866 | 10 | 1,155 | 700 | n/a | n/a | 152 | 304 | 260-290 |
| Soybeans | | | | | | | | | | | |
| 1999-2000 | 1,004 | 2.77 | 2,781 | 455 | 3,478 | 948 | 1,712 | 493 | 2,277 | 252 | 256 |
| 2000-2001 f | 1,061 | 2.55 | 2,703 | 375 | 3,330 | 750 | 1,650 | 485 | 2,205 | 375 | 240-260 |
| 2001-2002 f | 1,027 | 2.63 | 2,705 | 300 | 3,380 | 850 | 1,650 | 460 | 2,180 | 350 | 220-250 |
| Total Oilseeds | | | | | | | | | | | |
| 1999-2000 | 7,345 | 1.72 | 12,602 | 581 | 14,208 | 5,401 | 4,695 | 1,037 | 6,063 | 2,744 | |
| 2000-2001 f | 6,468 | 1.63 | 10,515 | 635 | 13,894 | 5,950 | 4,650 | 1,170 | 6,139 | 1,805 | |
| 2001-2002 f | 5,626 | 1.57 | 8,846 | 560 | 11,210 | 5,000 | 4,100 | 790 | 5,156 | 1,054 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1999-2000 | 24,642 | 2.69 | 66,334 | 1,659 | 81,330 | 27,949 | 10,324 | 24,716 | 37,105 | 16,276 | |
| 2000-2001 f | 24,612 | 2.50 | 61,646 | 2,855 | 80,777 | 27,615 | 10,365 | 25,307 | 37,781 | 15,380 | |
| 2001-2002 f | 24,289 | 2.47 | 59,932 | 1,464 | 76,776 | 27,055 | 9,970 | 24,455 | 36,452 | 13,269 | |

(a) Aug.-July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRs and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver);

Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (No. 3 CW, WCE cash Track Minneapolis); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB Pool Return Outlook (PRO); May 2001.

** - CWB PRO: June 2001, for No.1 CWRs and No.1 CWAD with 11.5% protein. This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, July 9, 2001

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: SPECIAL CROPS OUTLOOK

JULY 9, 2001

Production of special crops in Canada for 2001-02 is forecast to increase by 9% to 5.36 million tonnes (Mt), based on Statistics Canada's June 29 survey of area seeded. The seeded area for special crops increased by 12%, with increases for dry peas, lentils and chick peas, and decreases for dry beans, mustard seed, canary seed, sunflower seed and buckwheat. Below normal yields are expected for dry peas, lentils, chick peas, mustard seed and canary seed because of below normal moisture conditions in most of Saskatchewan and Alberta, the dominant producing provinces. Normal yields are expected for dry beans, sunflower seed and buckwheat because they are produced mainly in provinces with better moisture conditions. Most special crops are further advanced in development than in 2000-01 and the past 5-year average.

Despite projected higher total supply, increased exports and domestic use are expected to result in lower carry-out stocks. Average prices, compared to 2000-01, are forecast to increase for dry beans, mustard seed, canary seed and sunflower seed, decrease for lentils, dry peas and chick peas, and remain stable for buckwheat. Major factors to watch are growing conditions in Canada, as well as other major special crops importing and exporting countries, and the value of the Canadian dollar relative to the currencies of importing countries.

DRY PEAS

Production is forecast to increase by 10%, as an 18% increase in seeded area is partly offset by lower yields. Production increases are expected for both the yellow and green types. Total supply is forecast to increase only slightly because of lower carry-in stocks. Total world supply is expected to increase by 2% to 11.8 Mt because of higher production in the EU and Canada, which is partly offset by lower carry-in stocks. Canadian exports are forecast to decrease because of increased production in the EU, while domestic use increases because of increased use for livestock feed. Carry-out stocks are forecast to remain low, with a stocks-to-use (s/u) ratio of 5%. Prices are expected to be pressured by lower protein meal prices and higher world dry pea supply, but supported by higher feed barley prices. Therefore, the average price over all types, grades and markets is forecast to decrease by about 5%.

LENTILS

Production is forecast to be similar to 2000-01, as a 5% increase in seeded area is offset by lower yields. Production of the large and medium green types is forecast to decrease, while production of the small green type remains stable and production of the red type increases. Total supply is forecast to increase by 8% because of higher carry-in stock. Total world supply is expected to increase by 6% to 3.7 Mt. Canadian exports are expected to increase slightly, as Canada's share of total world supply increases. Carry-out stocks are forecast to increase, with a s/u ratio of 26%. The average price, over all types and grades, is forecast to decrease by 5% because of the higher world supply.

DRY BEANS

Production is forecast to increase by 14%, as a 2% decrease in seeded area is more than offset by higher yields. Production of white pea and coloured beans is forecast to increase by 14% to 125,000 t and 180,000 t, respectively. Total supply is expected to increase only slightly because of lower

carry-in stocks. Exports are forecast to increase and carry-out stocks are expected to remain low with a s/u ratio of 5%. US production is expected to decrease by 18%. Total US and Canadian supply is expected to decline by 10%. Therefore, the average price, over all classes and grades, is forecast to increase by 10%.

CHICK PEAS

Production is forecast to increase by 57% due to a 70% increase in seeded area, which is partly offset by lower yields. The largest increase in production is expected for the small kabuli type, followed by a smaller increase for the large kabuli type, with the smallest increase for the desi type. Due to drier growing conditions than in 2000-01 in the chick pea growing areas, the average quality of the crop should improve. Total Canadian supply is forecast to increase by 55%. Total world supply is expected to decrease slightly to 8.3 Mt. Canada's share of total world supply is forecast to increase to 8% from 5% in 2000-01. Therefore, Canadian exports are forecast to increase sharply. Carry-out stocks are forecast to increase with a s/u ratio of 19%. Prices are forecast to be pressured by higher supply in Canada and most other exporting countries. However, this is expected to be partly offset in Canada by higher quality and a shift to the production of the higher-priced kabuli type. Therefore, the average price over both kabuli and desi types and all sizes and grades is forecast to decrease by about 5%.

MUSTARD SEED

Production is forecast to decrease by 38% due to a 35% decrease in seeded area and lower yields. Production is expected to decrease sharply for the oriental and brown types, and remain stable for the yellow type. Total supply is forecast to decrease by 32%. Exports are expected to decrease because of the lower supply. Carry-out stocks are forecast to decrease to a negligible level. The average price, over all types and grades, is forecast to increase by 22% because of the lower supply and a shift to the production of the higher priced yellow type.

CANARY SEED

Production is forecast to decrease by 15%, due to an 11% reduction in seeded area and lower yields. Total supply is forecast to decrease by 18%. Total world supply is forecast to decrease by 12% to 290,000 t, with Canada's share of world supply decreasing to 74% from 79% in 2000-01. Exports are expected to remain stable. Carry-out stocks are forecast to decrease to a low level, with a s/u ratio of 13%. The average price is forecast to increase by 22% because of the lower supply.

SUNFLOWER SEED

Production is forecast to decrease by 16%, due to a 10% decrease in seeded area and lower yields. Production of confectionary and oilseed sunflower seed is expected to decrease by 16% to 75,000 t and 25,000 t, respectively. Total supply is forecast to decrease by 14%. Exports and domestic use are expected to remain stable, because of the lower supply. Carry-out stocks are forecast to decrease to a low level, with a s/u ratio of 7%. Total world supply is expected to remain stable at 24.6 Mt. US total supply of both the confectionary and oilseed types is expected to decrease. Stronger world demand is expected to support prices. Therefore, the average Canadian price over both confectionary and oilseed types is forecast to increase slightly.

BUCKWHEAT

Production is forecast to remain stable, as a 16% decrease in seeded area is offset by higher yields. Total supply and use are forecast to decrease. The average price over all grades and markets is forecast to be the same as in 2000-01, in line with stable world total supply of about 3.1 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mail skrypetzs@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mail.....olesonf@em.agr.ca
www.agr.gc.ca/mad-dam/

CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS

July 9, 2001

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (c) | Ending Stocks | Average Price (d) \$/t - - - |
|------------------------------------|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,974 | 1,116 | 523 | 335 | 180 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 f | 1,220 | 2.35 | 2,864 | 10 | 3,274 | 2,100 | 1,024 | 150 | 130-140 |
| 2001-2002 f | 1,435 | 2.20 | 3,150 | 10 | 3,310 | 2,000 | 1,160 | 150 | 115-145 |
| Lentils | | | | | | | | | |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 523 | 349 | 109 | 65 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 f | 688 | 1.33 | 914 | 5 | 999 | 630 | 209 | 160 | 290-300 |
| 2001-2002 f | 720 | 1.27 | 915 | 5 | 1,080 | 650 | 210 | 220 | 265-295 |
| Dry Beans | | | | | | | | | |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 f | 165 | 1.62 | 268 | 30 | 338 | 260 | 63 | 15 | 470-480 |
| 2001-2002 f | 162 | 1.88 | 305 | 25 | 345 | 265 | 65 | 15 | 510-540 |
| Chick Peas | | | | | | | | | |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 f | 283 | 1.37 | 387 | 5 | 407 | 210 | 177 | 20 | 400-410 |
| 2001-2002 f | 480 | 1.27 | 610 | 0 | 630 | 320 | 210 | 100 | 375-405 |
| Mustard Seed | | | | | | | | | |
| 1997-1998 | 292 | .83 | 243 | 2 | 283 | 166 | 69 | 48 | 385 |
| 1998-1999 | 279 | .86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 f | 208 | .97 | 202 | 1 | 318 | 160 | 68 | 90 | 270-280 |
| 2001-2002 f | 135 | .93 | 125 | 1 | 216 | 155 | 56 | 5 | 320-350 |
| Canary Seed | | | | | | | | | |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 245 | 134 | 47 | 64 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 f | 164 | 1.04 | 171 | 0 | 261 | 160 | 31 | 70 | 245-255 |
| 2001-2002 f | 145 | 1.00 | 145 | 0 | 215 | 160 | 30 | 25 | 290-320 |
| Sunflower Seed | | | | | | | | | |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 88 | 45 | 40 | 3 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 f | 69 | 1.72 | 119 | 15 | 175 | 65 | 75 | 35 | 315-325 |
| 2001-2002 f | 65 | 1.54 | 100 | 15 | 150 | 65 | 75 | 10 | 315-345 |
| Buckwheat | | | | | | | | | |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 f | 15 | .93 | 14 | 1 | 16 | 9 | 7 | 0 | 300-310 |
| 2001-2002 f | 13 | 1.08 | 14 | 1 | 15 | 8 | 7 | 0 | 290-320 |
| Total Special Crops (e) | | | | | | | | | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 54 | 3,343 | 1,949 | 862 | 532 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,299 | 2,634 | 1,034 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 f | 2,812 | 1.76 | 4,939 | 67 | 5,788 | 3,594 | 1,654 | 540 | |
| 2001-2002 f | 3,155 | 1.70 | 5,364 | 57 | 5,961 | 3,623 | 1,813 | 525 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes food, feed, seed, waste and dockage.

(d) Producer price, FOB plant. Average over all types, grades and markets.

(e) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed, sunflower seed and buckwheat.

f: forecast, Agriculture and Agri-Food Canada, July 9, 2001.

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | | As of Monday July 2, 2001 | | | | | | | |
|---|------------------|-----------------|--------|--------|--------|------------|-------------|------------------|-------------|-------------|-----------|------------|------------|-------------|-----------|--------------|--------------|---------------------------|--|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL- FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | | | | | | | | |
| Vancouver B.C. | This week | FOB | 152.66 | N/A | 150.66 | 157.00 | | 333.00 | (7) 260.00 | 139.00 | 290.00 | (4) 825.00 | 375.00 | | | | 400.00 | | | | | | | | |
| | Week ago | | 152.66 | N/A | 150.66 | 157.00 | | 322.00 | (7) 252.50 | 139.00 | 290.00 | (4) 825.00 | 375.00 | | | | 400.00 | | | | | | | | |
| Calgary Alta | This week | FOB | 129.50 | 105.00 | 127.50 | 159.00 | | 336.50 | 179.00 | | 260.00 | (4) 875.00 | 415.00 | | | | 405.00 | | | | | | | | |
| | Week ago | | 129.50 | 105.00 | 127.50 | 159.00 | | 314.50 | 179.00 | | 245.00 | (4) 875.00 | 400.00 | | | | 400.00 | | | | | | | | |
| Saskatoon Sask. | This week | FOB | 125.50 | 117.00 | 125.50 | 140.00 | | 331.00 | 254.00 | | 270.00 | (4) N/A | 415.00 | | 154.33 | | 435.00 | | | | | | | | |
| | Week ago | | 123.00 | 111.50 | 117.50 | 140.00 | | 309.00 | 240.00 | | 255.00 | (4) N/A | 400.00 | | 150.00 | | 430.00 | | | | | | | | |
| Melfort Sask. | This week | FOB | 132.90 | 123.34 | 126.50 | | | | | | | | | | | | | | | | | | | | |
| Week ago | | | 129.00 | 119.00 | 129.00 | | | | | | | | | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | 85.85 | 112.16 | 116.00 | 125.00 | | 323.50 | 244.00 | | 280.00 | (4) 790.00 | 390.00 | | | | 380.00 | | | | | | | | |
| | Week ago | | 104.25 | 111.57 | 116.60 | 125.00 | | 291.50 | 230.00 | | 280.00 | (4) 790.00 | 390.00 | | | | 380.00 | | | | | | | | |
| Thunder Bay Ont. | This week | In-store | 117.50 | 141.22 | 133.50 | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 131.00 | 136.88 | 135.00 | | | | | | | | | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board Vessel | | | | 116.51 | | | | | | | | | | | | | | | | | | | |
| Week ago | | | | | | 110.91 | | | | | | | | | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | 149.90 | 205.00 | 170.00 | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 151.00 | 203.00 | 170.00 | | | | | | | | | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | 122.53 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 118.30 | | | | | | | | | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | FOB | 332.89 | N/A | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | 314.16 | N/A | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 122.92 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 121.99 | | | | | | | | | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | FOB | 340.25 | 264.55 | 108.00 | 295.00 | (5) 770.00 | 303.00 | 455.00 | 137.00 | 230.00 | 390.00 | | | | | | | | |
| | Week ago | | | | | | | 327.82 | 249.78 | 109.00 | 295.00 | (5) 770.00 | 281.00 | 455.00 | 137.00 | 230.00 | 380.00 | | | | | | | | |
| Trois-Riv. Que. | This week | In-store | 165.90 | | 168.50 | 139.46 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 159.00 | | 170.00 | 133.65 | | | | | | | | | | | | | | | | | | | |
| St-Jean,Que. St-Hyacinthe,Que. | This week | FOB | 161.07 | 131.67 | 156.38 | (2) 132.37 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 156.83 | 134.00 | 163.83 | (2) 127.75 | | | | | | | | | | | | | | | | | | | |
| Quebec Que. | This week | In-store | 166.07 | | 167.17 | 137.36 | FOB | 343.00 | | | | | | | | | | | | | | | | | |
| | Week ago | | 166.17 | | 169.17 | 135.23 | | 329.40 | | | | | | | | | | | | | | | | | |
| Truro N.S. | This week | Track | 191.86 | 191.02 | 196.67 | 169.90 | FOB | 355.66 | 282.16 | | 329.00 | | 375.00 | | | | 390.00 | | | | | | | | |
| | Week ago | | 198.95 | 191.02 | 197.72 | 169.86 | | 347.94 | 282.06 | | 329.00 | | 375.00 | | | | 380.00 | | | | | | | | |
| Truro N.S. | This week | Water | 193.00 | N/A | N/A | 170.00 | | | | | | | | | | | | | | | | | | | |
| | Week ago | & Truck | 193.65 | N/A | N/A | 168.80 | | | | | | | | | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | 183.90 | N/A | N/A | 161.00 | FOB | | | 292.75 | | (5) 725.00 | | | | | | | | | | | | | |
| | Week ago | | 184.65 | N/A | N/A | 159.80 | | | | 292.75 | | (5) 725.00 | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5124 as of July 03, 2001
Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars, per metric tonne. Grain grades are Western or Eastern Feed Wheat No.1 Feed Oats No.1 Canada Western or Eastern Barley No.2 Canada Yellow Corn No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWR5 (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday July 2, 2001

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|-----------|---------------|---------------|
| From: Thunder Bay 2 | In-Store | WHEAT | 117.50 | 131.00 | | 142.80 | 128.00 |
| | | OATS | 141.22 | 136.88 | | 147.27 | N/A |
| | | BARLEY | 133.50 | 135.00 | | 134.90 | 103.40 |
| To: Bayports, Ont. | In-store | WHEAT | 140.60 | 154.10 | 1. | 165.90 | 151.10 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 160.65 | 162.15 | 1. | 162.05 | 130.55 |
| Montreal, Que. | In-store | WHEAT | 145.35 | 158.85 | 1. | 170.65 | 155.85 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 165.77 | 167.27 | 1. | 167.17 | 135.67 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 167.82 | 181.32 | | 193.12 | 178.32 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 192.13 | 193.63 | | 193.53 | 162.03 |
| Truro, N.S. | Truck via Halifax | WHEAT | 165.32 | 178.82 | | 190.62 | 175.82 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 187.25 | 188.75 | | 188.65 | 157.15 |
| Halifax, N.S. | In-store | WHEAT | 152.65 | 166.15 | 1. | 177.95 | 163.15 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 173.57 | 175.07 | 1. | 174.97 | 143.47 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 212.43 | 225.93 | | 237.73 | 222.93 |
| | | OATS | 247.42 | 243.08 | | 253.47 | N/A |
| | | BARLEY | 240.64 | 242.14 | | 242.04 | 210.54 |
| From: Melfort, Sask. | FOB | WHEAT | 132.90 | 129.00 | | 137.80 | 115.00 |
| | | OATS | 123.34 | 119.00 | | 129.32 | 111.81 |
| | | BARLEY | 126.50 | 129.00 | | 128.90 | 98.40 |
| To: Bayports, Ont. | Track | WHEAT | 189.02 | 185.12 | | 193.92 | 171.12 |
| | | OATS | 182.21 | 177.87 | | 188.19 | 170.68 |
| | | BARLEY | 179.89 | 182.39 | | 182.29 | 151.79 |
| Montreal, Que. | Track | WHEAT | 189.77 | 185.87 | | 194.67 | 171.87 |
| | | OATS | 183.11 | 178.77 | | 189.09 | 171.58 |
| | | BARLEY | 180.71 | 183.21 | | 183.11 | 152.61 |
| Moncton, N.B. | Track | WHEAT | 210.95 | 207.05 | | 215.85 | 193.05 |
| | | OATS | 206.45 | 202.11 | | 212.43 | 194.02 |
| | | BARLEY | 192.82 | 195.32 | | 195.22 | 164.72 |
| Truro, N.S. | Track | WHEAT | 211.12 | 207.22 | | 216.02 | 193.22 |
| | | OATS | 207.42 | 203.08 | | 213.40 | 195.89 |
| | | BARLEY | 206.44 | 208.94 | | 208.84 | 178.34 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 254.46 | 250.56 | | 259.36 | 236.56 |
| | | OATS | 254.80 | 250.46 | | 260.78 | 243.27 |
| | | BARLEY | 254.73 | 257.23 | | 257.13 | 226.63 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|-----------|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 116.51 | 110.91 | | 118.66 | 109.19 |
| To: Montreal, Que. (US Corn) | In-store | | 135.41 | 129.81 | 1. | 137.56 | 128.09 |
| From: Saginaw (Mi) | Track | | 112.93 | 106.12 | | 112.63 | 100.46 |
| To: Montreal, Que. (US Corn) | Track | | 140.47 | 133.66 | | 140.17 | 128.00 |
| From: Chatham | Track | | 122.53 | 118.30 | | 125.09 | 105.80 |
| To: Montreal, Que. | Track | | 145.42 | 141.19 | | 147.98 | 128.69 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 332.89 | 314.16 | | 306.00 | 298.61 |
| To: Montreal, Que. | Track | | 355.36 | 336.63 | | 328.47 | 321.08 |
| Moncton, N.B. | Track | | 372.67 | 353.94 | | 345.78 | 338.39 |
| Truro, N.S. | Track | | 375.64 | 356.91 | | 348.75 | 341.36 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 424.90 | 406.17 | | 398.01 | 390.62 |

1. Prices include one month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

July 20, 2001 Volume 14 Number 13

CANARY SEED / BUCKWHEAT

CANARY SEED: SITUATION AND OUTLOOK

Canada, the main producer and exporter of canary seed in the world, accounts for about 75% of world production and exports. The value of Canadian canary seed exports has averaged about \$60 million during the past 4 years. Canadian canary seed production in 2001-2002 is forecast to decrease by about 20%, because of lower seeded area and yields. Total supply is forecast to decrease sharply and carry-out stocks are expected to decrease to a very low level. The average price is forecast to increase by about 30%. This section of the *Bi-weekly Bulletin* examines the situation and outlook for canary seed.

BACKGROUND

Agronomics

Canary seed is a cool season crop which prefers long warm days and cool nights. It is well suited to the Canadian prairies and matures in approximately 100 days. Production of canary seed in Canada began in the late 1970s. Canary seed is shallow rooted and is more sensitive to heat and less drought tolerant and salt tolerant than wheat. It does best on heavy clay or clay loam, moisture retentive soils. It can tiller profusely and may lodge when soil fertility and moisture are plentiful. Canary seed should be planted as early in May as possible. Late seeding can lead to delayed maturation of the straw during harvest. Canary seed is shatter resistant, which allows it to be straight combined. If the crop is swathed, it should not be cut until it has reached full maturity and should be combined soon after swathing. Combining should be done at a seed moisture level of 13%. Caution should be taken to keep dehulling to a minimum, since dehulled seed is classified as dockage and must be cleaned out. Canary seed with the hull intact is shiny and golden yellow. Dehulled canary seed is dark brown in colour. Canary seed can be

stored for long periods of time without losing quality, provided it is put into storage in good condition.

Uses

Canary seed has only one market at the present time, as a major component in seed mixtures for pet and wild birds. Typically it is mixed with seeds such as millet, sunflower seed, safflower seed, buckwheat, cereal grains, flaxseed, and canola.

Canario

Canario is a glabrous or hairless type of canary seed developed in Canada, with first commercial production starting in 1997. Canary seed has tiny hairs at the base of the seed that break off and cause severe itching to producers, processors, and packagers. Canario eliminates that problem. Canario also helps the industry through reduced shipping costs due to 12% greater seed packing per container and the elimination of the oiling and polishing steps in processing.

The Canadian Special Crops Association (CSCA) has applied for the trademark Canario in the United States (U.S.), the European Union (EU), Canada, Mexico, and Brazil for canary seed that is 97% glabrous. The Canadian Grain Commission has developed a Canario Seed Analysis Certificate to be used for shipments of canary seed which meet the Canario standard.

WORLD

Production

Since 1991-1992, world canary seed production has ranged from a low of 167,000 tonnes (t) in 1997-1998 to a high of 300,000 t in 1994-1995. Annual production is extremely variable, but the variability is mainly in Canada which accounts for about 75% of world production. Hungary and Argentina are the only other significant canary seed producers, each accounting for about 10% of world production.

Consumption and Trade

Most of the world's canary seed production is exported. Canary seed exports increased rapidly during the early 1990s, but subsequently the growth in exports has



Canada

WORLD: CANARY SEED PRODUCTION

| | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002f |
|---------------------------|---------------|---------------|---------------|---------------|----------------|
|thousand tonnes..... | | | | | |
| Canada* | 115 | 235 | 166 | 171 | 135 |
| Hungary | 18 | 33 | 30 | 22 | 30 |
| Argentina | 25 | 25 | 24 | 21 | 30 |
| Other | 9 | 8 | 11 | 11 | 10 |
| World | 167 | 301 | 231 | 225 | 205 |

f: forecast, AAFC, July 2001

Source: FAO, except *Statistics Canada, July 2001

been slower. The upward trend in exports indicates that there is normally little substitution of other birdseed for canary seed. In 1999, the latest year for which statistics are available, world exports were 233,000 t and imports 231,000 t. However, about 15% of the exports were re-exported to third countries. Canada dominated world exports with about 75% of the exports in 1999, if re-exports are excluded. Hungary and Argentina are the only other significant exporters of canary seed. Imports are much more widely distributed than exports, with the top seven importing countries (Mexico, Brazil, Belgium, the U.S., Spain, Italy, and the Netherlands) accounting for about 75% of imports.

peak in production was in 1996-1997 with 285,000 t. In 2000-2001, production increased slightly, compared to 1999-2000, to 171,000 t. Saskatchewan accounted for 87% of the production, followed by Manitoba at 10% and Alberta at 4%.

Marketing

All of the canary seed produced in Canada is sold on the open market to dealers. There are about 30 dealers, with more than 60 plants located across the Prairie provinces, who buy and clean canary seed. They range from large corporations and co-operatives to small family-owned businesses. Canary seed going to customers in Canada and the U.S. is

CANADA**Production**

Canadian canary seed production increased during the early 1990s, but had been in a cyclical pattern from 1994-1995 to 1999-2000, with one year of high production followed by a year of low production. The

shipped bulk in trucks or in containers which are carried by trucks or trains. Canary seed going to northern Europe is usually shipped bulk, whereas canary seed going to customers in southern Europe and other parts of the world is usually shipped in containers. Some canary seed is grown under production contracts, which guarantee a price for part of the production, but most is sold on the spot market. Market development activities are carried out with the CSCA, an industry organization representing traders, exporters, and processors.

Canary seed does not fall under the Canada Grain Act, therefore the Canadian Grain Commission has not established grades for the crop. However, the Commission does perform dockage analysis on samples submitted. Export specifications for canary seed are usually minimum 99% pure seed, with a maximum of 4% dehulled seed.

Domestic Use

Canadian domestic use, which includes feed, seed and dockage, has ranged from about 29,000 t to 52,000 t during the past 4 years. Canary seed is mixed with other seed for bird feed by processors located in western and central Canada, and sold under their own brands or under customized store brands. No standards exist for mixes or packaging. A company in Saskatchewan has started using organic canary seed in organic bird seed mixtures.

Exports

Canadian exports of canary seed are mainly in the bulk, unprocessed form, although packaged seed mixtures are also exported. Exports increased sharply in 1999-2000 to 157,000 t and are estimated at 165,000 t for 2000-2001. The western hemisphere and Europe are the main destinations for Canadian canary seed, although it is exported throughout the world. The main importing countries, in order of importance, are Mexico, Belgium, the U.S., Brazil, Spain, Venezuela, Italy, Chile, Colombia, and Portugal.

Prices

Canadian prices are determined on an export basis because Canada exports about 75% of its canary seed production. They are, therefore, highly sensitive to the value of the Canadian dollar in foreign markets. Average prices rose steadily

WORLD: CANARY SEED EXPORTS

| calendar year | 1995 | 1996 | 1997 | 1998 | 1999 |
|---------------------------|------------|------------|------------|------------|------------|
|thousand tonnes..... | | | | | |
| Canada * | 161 | 109 | 136 | 127 | 145 |
| Hungary | 19 | 42 | 21 | 33 | 27 |
| Argentina | 17 | 9 | 15 | 21 | 21 |
| Other | 38 | 39 | 40 | 42 | 40 |
| Total | 235 | 199 | 212 | 223 | 233 |

Source: FAO, *Statistics Canada, July 2001

WORLD: CANARY SEED IMPORTS

| calendar year | 1995 | 1996 | 1997 | 1998 | 1999 |
|---------------------------|------------|------------|------------|------------|------------|
|thousand tonnes..... | | | | | |
| Mexico | 37 | 46 | 42 | 51 | 49 |
| Brazil | 43 | 36 | 39 | 42 | 39 |
| Belgium | 21 | 25 | 31 | 27 | 30 |
| United States | 16 | 18 | 15 | 19 | 17 |
| Spain | 14 | 15 | 17 | 17 | 16 |
| Italy | 15 | 15 | 11 | 13 | 15 |
| Netherlands | 8 | 22 | 9 | 9 | 10 |
| Other | 53 | 47 | 60 | 51 | 55 |
| Total | 207 | 224 | 224 | 229 | 231 |

Note: The difference between imports and exports is attributed to the timing of delivery.

Source: FAO, July 2001

CANADA: CANARY SEED EXPORTS

| August-July crop year | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001f | 2001 -2002f |
|----------------------------------|---------------|---------------|---------------|----------------|----------------|
|thousand tonnes..... | | | | | |
| Europe | 58 | 51 | 66 | 45 | 45 |
| Central America and Caribbean | 25 | 36 | 42 | 55 | 55 |
| South America | 27 | 26 | 28 | 40 | 35 |
| United States | 19 | 18 | 15 | 18 | 18 |
| Middle East | 1 | 2 | 2 | 3 | 3 |
| Asia and Oceania | 3 | 2 | 2 | 2 | 2 |
| Africa | 1 | 2 | 2 | 2 | 2 |
| Total | 134 | 137 | 157 | 165 | 160 |

f: forecast, AAFC, July 2001

Source: Statistics Canada

during the early 1990s before peaking in 1995-1996. Since then, the average price has been more volatile, depending on the total supply, and reached a low of \$240 per tonne (t) in 1999-2000. The average price increased to \$265/t in 2000-2001 because of a crop year-end surge in prices resulting from expectations of lower supply for 2001-2002. Since there are no futures markets for canary seed, prices are negotiated between the producer, dealer and customer based on supply and demand factors. The prices negotiated could be for immediate or

future delivery.

OUTLOOK

World: 2001-2002

Production is forecast to decrease by 9% to 205,000 t, because of lower production in Canada. Total supply is forecast to decrease by about 18% to 270,000 t, due to lower production and carry-in stocks. Canada's share of total world supply is expected to decrease from 79% to 74% in 2000-2001.

Canada: 2001-2002

Canary seed production is forecast to decrease by 21%, due to an 11% reduction in seeded area and lower yields. Lower than average yields are expected because of below normal precipitation in most of the producing areas. Crop development is further advanced than normal. The decrease in production is expected to be in Saskatchewan and Alberta, while production in Manitoba increases. Therefore, Saskatchewan and Alberta's share of Canadian production is expected to decrease to 78% and 1% respectively, while Manitoba's share increases to 21%. Total supply is forecast to decrease by 23%. Exports are forecast to decrease because of the tighter supply. Carry-out stocks are expected to decrease to a very low level, with a stocks-to-use ratio of 5%. The average price is forecast to increase by about 30% because of the lower supply. However, prices in 2001-2002 could be very volatile and higher than expected. Firstly, the start of the Canadian harvest is still several weeks away and production estimates based on surveys will not be available until later in the year. Secondly, producers might be more reluctant to sell seed as quickly as they did during the past few years because of the smaller supply and speculation that prices might increase further, later in the crop year.

CANADA: CANARY SEED SUPPLY AND DISPOSITION

| August-July crop year | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001f | 2001 -2002f |
|--------------------------------|---------------|---------------|---------------|----------------|-----------------|
| Harvested Area (thousand ha) | 113 | 208 | 146 | 164 | 145 |
| Yield (t/ha) | 1.01 | 1.13 | 1.14 | 1.04 | 0.93 |
|thousand tonnes..... | | | | | |
| Carry-in Stocks | 130 | 64 | 110 | 90 | 65 |
| Production | 115 | 235 | 166 | 171 | 135 |
| Imports | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 245 | 299 | 276 | 261 | 200 |
| Exports | 134 | 137 | 157 | 165 | 160 |
| Total Domestic Use | 47 | 52 | 29 | 31 | 30 |
| Total Use | 181 | 189 | 186 | 196 | 190 |
| Carry-out stocks | 64 | 110 | 90 | 65 | 10 |
| Stocks-to-Use Ratio (%) | 35 | 58 | 48 | 33 | 5 |
| Average producer price (\$/t) | 322 | 248 | 240 | 265 | 330-360 |
| Harvested Area (thousand ac.) | 279 | 514 | 361 | 405 | 358 |
| Yield (lb/ac.) | 901 | 1,008 | 1,017 | 928 | 830 |
| Production (Mlb) | 254 | 518 | 366 | 377 | 298 |
| Average producer price (\$/lb) | 0.146 | 0.112 | 0.109 | 0.120 | 0.150 -0.163 |

f: forecast, AAFC, July 2001

Source: Statistics Canada and Agriculture and Agri-Food Canada

Canada: Longer Term

Although canary seed is used as bird feed at the present time, Canadian researchers are exploring the markets for human consumption and industrial use. Researchers have established that canary seed has a protein content of about 19%, which is higher than for wheat and other cereal grains, and an oil content of about 9%. Canary seed protein is high in cystine, tryptophan and phenylalanine, but low in lysine and threonine. Its starch content is similar to wheat, at about 61%. Canary seed could be used in multi grain bread and in condiments. It also has the potential as a fat substitute because the oil is high in unsaturated fat. In addition, canary seed's high starch content makes it suitable for some industrial uses, such as in the cosmetics sector. Penetration into human consumption and industrial use markets would increase demand for Canadian canary seed significantly.

BUCKWHEAT: SITUATION AND OUTLOOK

Buckwheat has many uses and is rated as one of the best sources of high biological value protein in the plant kingdom. In spite of its name, buckwheat is technically a fruit or a nut rather than a cereal grain. It is a crop that requires fewer inputs than most other crops. Current agronomic research activities are exploring the development of new varieties which are more frost tolerant and higher yielding. Although Canada produces less than 1% of the world's buckwheat, it accounts for about 5% of world exports and is expected to become a more significant producer and exporter over the longer term with the development of new varieties. This section of the *Bi-weekly Bulletin* examines the situation and outlook for buckwheat.

BACKGROUND

Agronomics

Buckwheat is a broadleaf plant which grows best in well drained light to medium textured soils. Seeding normally takes place in the early part of June, after the risk of frost is gone. It matures in 80-90 days and makes an excellent rotation with cereal grains. It requires less nitrogen than cereal crops and is very efficient at removing phosphorus from the soil for its own needs. It also increases the phosphorus available for subsequent crops through its decomposing residue. Buckwheat is more susceptible to stress during dry periods because the stomata stays open causing the plant to wilt faster. Weed control in buckwheat is a challenge since there are few herbicides available for grassy weed and none for broadleaf weed control. Since it is sown late, weeds are generally controlled with cultivation before seeding. However, it is best to use clean fields. Buckwheat benefits from pollination by honey or leaf-cutter bees, especially during the early stages of flowering, to improve yields. Swathing should be done when 75-80% of the seeds turn brown or black. Combining takes place when the seeds have reached 16% moisture.

Some of the buckwheat is grown organically, especially in eastern Canada. In addition to the buckwheat which is combined for its seed, there is some buckwheat grown in eastern Canada as a green manure crop.

The older buckwheat varieties, such as Manor and Mancan, have been supplemented with newer, larger-seed varieties, AC Manisoba, AC Springfield, Koban, and Koto, during the past decade. Koban and Koto are large-seed varieties with increased seed density, which has resulted in increased starch content. Koto has a black hull. Kade Research Ltd., an

industry sponsored buckwheat research organization based in Morden, Manitoba, works in collaboration with Agriculture and Agri-Food Canada in developing new varieties.

Uses

Buckwheat is very nutritious and is used to make a wide range of products. The protein of buckwheat is comparable to animal-based proteins and is easily digestible. Buckwheat is high in iron, potassium, magnesium, sulfur and phosphorus, as well as vitamins B and P. An important by-product of buckwheat production is buckwheat honey, produced from nectar collected from buckwheat flowers by bees.

Buckwheat is milled into light or dark flour or processed into groats, the meat of the seed, and grits which are essentially cracked groats. Buckwheat flour is mixed with wheat flour to make noodles called Soba in Japan. Soba is eaten cold dipped in soya sauce or hot in soya sauce flavoured soup. Large seeded varieties, such as Koban and Koto, have a starch content about 7-8% higher than other varieties. In addition, the starch is softer, which makes the noodles chewy. This is a desirable trait. It also enables Japanese buckwheat millers to use up to 80% buckwheat in their noodle mixes compared to the usual blend of 50% buckwheat and 50% wheat flour. Buckwheat flour is also used for pancake mixtures or mixed with wheat flour for baking bread and rolls. As

well, it is mixed with semolina to make pasta. Since buckwheat does not contain gluten, it can be used to produce flour rich in high quality proteins valuable for people with gluten sensitive enteropathy (celiac disease).

The groats and grits can be eaten plain, roasted or flavoured. Roasted groats and grits are called "kasha" in central and Eastern Europe. The groats are also used to decorate bread and other baked goods. It is also used in breakfast cereals, as a meat substitute or extender, for stuffing meats and vegetables, for mixing with soups and stews and as a side dish. Some light weight buckwheat seed is used for bird seed mixtures. The hull can be used to make pillows and heating pads.

WORLD

Production

World buckwheat production has been variable during the past 10 years, ranging from 2.38 million tonnes (Mt) in 1999-2000 to 3.87 Mt in 1992-1993. In 2000-2001, production increased by 28%, compared to 1999-2000, to 3.06 Mt. China produced

WORLD: BUCKWHEAT PRODUCTION

| | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002f |
|---------------|---------------------------|---------------|---------------|---------------|----------------|
| |thousand tonnes..... | | | | |
| China | 1,600 | 1,400 | 1,300 | 1,600 | 1,500 |
| Russia | 630 | 466 | 579 | 650 | 600 |
| Ukraine | 405 | 341 | 222 | 479 | 400 |
| United States | 80 | 80 | 63 | 65 | 70 |
| Poland | 49 | 58 | 60 | 73 | 70 |
| Brazil | 50 | 50 | 50 | 50 | 50 |
| Canada* | 16 | 15 | 13 | 14 | 14 |
| Other | 94 | 94 | 96 | 131 | 106 |
| World | 2,924 | 2,504 | 2,383 | 3,062 | 2,810 |

f: forecast, AAFC, July 2001

Source: FAO, except *Statistics Canada, July 2001

WORLD: BUCKWHEAT EXPORTS

| calendar year | 1995 | 1996 | 1997 | 1998 | 1999 |
|----------------|---------------------------|------------|------------|------------|------------|
| |thousand tonnes..... | | | | |
| China | 106 | 102 | 107 | 106 | 106 |
| Ukraine | 3 | 29 | 23 | 49 | 49 |
| United States | 18 | 15 | 7 | 9 | 10 |
| Canada* | 9 | 9 | 14 | 6 | 7 |
| Other | 31 | 26 | 17 | 20 | 25 |
| Total | 167 | 181 | 168 | 190 | 197 |

Source: FAO, *Statistics Canada, July 2001

WORLD: BUCKWHEAT IMPORTS

| calendar year | 1995 | 1996 | 1997 | 1998 | 1999 |
|---------------|---------------------------|------------|------------|------------|------------|
| |thousand tonnes..... | | | | |
| Japan | 104 | 89 | 105 | 99 | 103 |
| Netherlands | 12 | 10 | 12 | 15 | 17 |
| France | 12 | 12 | 8 | 13 | 11 |
| Russia | 1 | 16 | 10 | 19 | 1 |
| Belarus | 1 | 1 | 24 | 12 | 3 |
| Other | 63 | 71 | 55 | 39 | 32 |
| Total | 193 | 199 | 214 | 197 | 167 |

Note: The difference between imports and exports is attributed to the timing of delivery.

Source: FAO, July 2001

about 55% of the world's buckwheat during the past 5 years, Russia about 20% and Ukraine about 15%.

Consumption and Trade

Most of the world's buckwheat production is consumed in the country where it is produced. World buckwheat exports averaged about 180,000 tonnes per year (t/yr) during the past 5 years and totalled 197,000 t in 1999, the latest year for which world trade statistics are available. China normally accounts for about 60% of the exports, with Ukraine, the U.S., and Canada accounting for most of the balance. Japan accounts for about 55% of the imports, with the balance going mostly to the EU.

CANADA

Production

Buckwheat production in Canada has declined significantly from nearly 39,000 t in the mid 1980s, to an average of about 15,000 t during the past 10 years. For 2000-2001, production increased by 7%, compared to 1999-2000, to 14,000 t. Although buckwheat is produced from the Maritimes to Alberta, Manitoba accounted for 71% of Canadian buckwheat

production in 2000-2001, with Ontario producing 20% and Quebec 7%.

Marketing

All of the buckwheat produced in Canada is sold on the open market to dealers. There are about 10 dealers who buy, clean and ship buckwheat to domestic and export markets. Buckwheat is mostly shipped by truck to domestic and U.S. markets, but it is shipped in containers for overseas markets. Buckwheat is normally sold throughout the year after harvest as it tends to lose its value when new crop starts to come into the market.

The Manitoba Buckwheat Growers Association was formed in 1995 to advance the production of buckwheat and promote the industry. Market development activities are carried out with the CSCA, an industry organization representing traders, exporters and processors. The Canadian and U.S. buckwheat industry is working to increase the supply of buckwheat products available to consumers and is engaged in market development to increase the use of buckwheat in Canada and the U.S. Representatives of the Canadian buckwheat industry are attending the International Symposium on Buckwheat in

Chunchon, South Korea, which will be held from August 30 to September 2, 2001.

Following the symposium, the participants will attend industry meetings in South Korea and Japan.

The Canadian Grain Commission administers quality control standards for buckwheat. There are three grades and buckwheat can also be graded sample if specifications for the grades are not met.

Domestic Use

Canadian domestic use, which includes food, seed, dockage, and waste has ranged from 7,000 to 9,000 t/yr during the past 5 years and is estimated at 7,000 t for 2000-2001. There are several processors of buckwheat in Canada, concentrating on milling buckwheat for flour, groats and grits. Some of the processors mill buckwheat for the organic food market.

Exports

Canadian buckwheat exports have ranged from 8,000 to 9,000 t/yr during the past 5 years and are estimated at 9,000 t for 2000-2001. Japan is normally the main market for Canadian buckwheat, followed by the U.S. and the EU.

Prices

Average Canadian prices, over all grades and markets, have been relatively stable during the past 5 years at \$300-315/t. For 2000-2001, prices averaged \$305/t. Most of the buckwheat is typically grown under contract which guarantees the price for part or all of the production before seeding.

OUTLOOK

World: 2001-2002

World buckwheat production is forecast to decrease by 8% to about 2.8 Mt, but the total supply is expected to remain stable at about 3.1 Mt because of higher carry-in stocks.

Canada: 2001-2002

Production is forecast to remain stable, as a 16% decrease in seeded area is offset by higher yields. Crop conditions are average in terms of both expected yields and development. Total supply is forecast to decrease by 6% because of negligible carry-in stocks. Exports are expected to decrease in line with the lower supply. The average price, over all grades and

CANADA: BUCKWHEAT EXPORTS

| <i>August-July crop year</i> | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001f | 2001 -2002f |
|----------------------------------|---------------------------|-----------------------|-----------------------|------------------------|------------------------|
| |thousand tonnes..... | | | | |
| Asia | 6 | 6 | 5 | 3 | 4 |
| United States | 1 | 1 | 2 | 5 | 3 |
| Europe | <u>2</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |
| Total | 9 | 8 | 8 | 9 | 8 |

f: forecast, AAFC, July 2001

Source: Statistics Canada

markets, is forecast to be the same as for 2000-2001.

Canada: Longer Term

Over the long-term, there are three main challenges which affect buckwheat production. First, there is a low rate of seed development. In buckwheat, only about 12% of the flowers develop into seed. Research is underway to develop self-pollinating varieties. These varieties could potentially double buckwheat yields.

Second, there is a lack of frost tolerance. Research is also ongoing on frost-resistant varieties.

Third, no herbicide for broadleaf weed control has been developed and very little research work is being done in this area.

Therefore, farmers must continue to rely on cultural practices for the foreseeable future. This could become more difficult when the frost resistant varieties become available, since producers will want to seed earlier. Plant breeders are selecting large-leaved varieties, which develop thick canopies more quickly to overshadow and smother weeds. Development of higher yielding and frost resistant varieties would make buckwheat more economically viable and increase the seeded area and production.

Buckwheat has the potential to be used in pharmaceutical and nutraceutical products. For example, it is high in lysine, an amino acid used in nutraceuticals. It contains vitamin P which contains a compound called rutin used to reduce

cholesterol levels and to help prevent high blood pressure. Fagopyritol, a compound derived from buckwheat, helps to manage diabetes. Research institutions in Canada and other countries are working on developing pharmaceutical and nutraceutical products from buckwheat.

For periodic updates on the situation and outlook for canary seed and buckwheat, visit the Market Analysis Division Website for

"Canada: Special Crops Situation and Outlook."

For more information:

Stan Skrypetz,

Special Crops Analyst

Phone: (204) 983-8972

Fax: (204) 983-5524

E-mail: skrypetz@em.agr.ca

CANADA: BUCKWHEAT SUPPLY AND DISPOSITION

| <i>August-July crop year</i> | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001f | 2001 -2002f |
|----------------------------------|---------------------------|-----------------------|-----------------------|------------------------|------------------------|
| Harvested Area (thousand ha) | 14 | 14 | 13 | 15 | 13 |
| Yield (t/ha) | 1.14 | 1.07 | 1.00 | 0.93 | 1.08 |
| |thousand tonnes..... | | | | |
| Carry-in Stocks | 2 | 1 | 2 | 1 | 0 |
| Production | 16 | 15 | 13 | 14 | 14 |
| Imports | <u>1</u> | <u>3</u> | <u>1</u> | <u>1</u> | <u>1</u> |
| Total Supply | 19 | 19 | 16 | 16 | 15 |
| Exports | 9 | 8 | 8 | 9 | 8 |
| Total Domestic Use | <u>9</u> | <u>9</u> | <u>7</u> | <u>7</u> | <u>7</u> |
| Total Use | 18 | 17 | 15 | 16 | 15 |
| Carry-out stocks | 1 | 2 | 1 | 0 | 0 |
| Stocks-to-Use Ratio (%) | 6 | 12 | 7 | 0 | 0 |
| Average producer price (\$/t) | 305 | 315 | 305 | 305 | 290-320 |

| | | | | | |
|--------------------------------|------|------|------|------|-----------|
| Harvested Area (thousand ac.) | 35 | 35 | 32 | 37 | 32 |
| Yield (bu/ac.) | 21 | 20 | 19 | 17 | 20 |
| Production (thousand bu) | 735 | 689 | 597 | 643 | 643 |
| Average producer price (\$/bu) | 6.64 | 6.86 | 6.64 | 6.64 | 6.31-6.97 |

f: forecast, AAFC, July 2001

Source: Statistics Canada and Agriculture and Agri-Food Canada

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524**

**Director: Maggie Liu
Chief: Fred Oleson**

Editor: Gordon MacMichael

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A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | As of Monday July 16, 2001 | | | | | | | | | |
|-------------------|------------------|-------------|--------|--------|--------|------------|-------------|----------------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| | | | | | | | | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
| Vancouver B.C. | This week | FOB | 150.66 | N/A | 153.16 | 170.00 | | 345.00 | (7) 246.50 | 135.00 | 330.00 | (4) 825.00 | 420.00 | | | | 420.00 |
| | Week ago | | 150.66 | N/A | 153.16 | 152.50 | | 342.50 | (7) 261.00 | 135.00 | 320.00 | (4) 825.00 | 400.00 | | | | 415.00 |
| Calgary | This week | FOB | 127.50 | 105.00 | 130.00 | 167.00 | | 339.50 | 179.00 | | 285.00 | (4) 875.00 | 445.00 | | | | 420.00 |
| Alta | Week ago | | 127.50 | 105.00 | 130.00 | 160.00 | | 332.50 | 179.00 | | 275.00 | (4) 875.00 | 425.00 | | | | 415.00 |
| Saskatoon | This week | FOB | 126.50 | 128.50 | 126.50 | 150.00 | | 334.00 | 255.00 | | 295.00 | (4) N/A | 445.00 | | 160.00 | | 450.00 |
| Sask. | Week ago | | 126.50 | 128.50 | 126.50 | 141.00 | | 326.50 | 259.00 | | 285.00 | (4) N/A | 425.00 | | 160.00 | | 445.00 |
| Melfort | This week | FOB | 155.50 | 127.96 | 144.70 | | | | | | | | | | | | |
| Sask. | Week ago | | 140.00 | 127.96 | 131.60 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 105.35 | 162.43 | 137.50 | 135.00 | | 326.50 | 245.00 | | 305.00 | (4) 790.00 | 405.00 | | | | 380.00 |
| Man. | Week ago | | 90.35 | 137.97 | 123.50 | 130.00 | | 311.50 | 249.00 | | 295.00 | (4) 790.00 | 390.00 | | | | 380.00 |
| Thunder Bay | This week | In-store | 140.00 | 144.86 | 155.00 | | | | | | | | | | | | |
| Ont. | Week ago | | 125.00 | 144.86 | 141.00 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 135.89 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 125.20 | | | | | | | | | | | |
| Bay Ports | This week | In-store | 172.50 | 220.00 | 155.00 | | | | | | | | | | | | |
| Ont. | Week ago | | 157.00 | 205.00 | 175.00 | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 129.62 | | | | | | | | | | | |
| Ont. | Week ago | | | | | 126.08 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 303.00 | (5) N/A | 425.00 | 465.00 | 135.00 | 220.00 | 350.00 |
| Ont. | Week ago | | | | | | | | | | 298.00 | (5) N/A | 415.00 | 465.00 | 135.00 | 220.00 | 340.00 |
| Hamilton | This week | N/A | | | | | FOB | 339.40 | N/A | | | | | | | | |
| Ont. | Week ago | | | | | | | 331.57 | N/A | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 129.37 | | | | | | | | | | | |
| Ontario | Week ago | | | | | 127.01 | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | 76.00 | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | | 75.50 | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | FOB | 343.81 | 267.20 | 105.00 | 303.00 | (5) 795.00 | 320.00 | 485.00 | 137.00 | 230.00 | 410.00 |
| Que. | Week ago | | | | | | | 339.73 | 263.89 | 108.83 | 298.00 | (5)770.00 | 309.00 | 485.00 | 137.00 | 230.00 | 400.00 |
| Trois-Riv. | This week | In-store | 188.50 | | 187.70 | 153.24 | | | | | | | | | | | |
| Que. | Week ago | | 173.00 | | 176.00 | 142.61 | | | | | | | | | | | |
| St-Jean,Que. | This week | FOB | 165.00 | 126.50 | 156.85 | (2) 140.25 | | | | | | | | | | | |
| St-Hyacinthe,Que. | Week ago | | 168.17 | 129.00 | 161.28 | (2) 133.95 | | | | | | | | | | | |
| Quebec | This week | In-store | 190.00 | | 187.30 | 153.50 | FOB | 345.09 | | | | | | | | | |
| Que. | Week ago | | 173.83 | | 175.37 | 143.92 | | 341.57 | | | | | | | | | |
| Truro | This week | Track | 205.97 | 191.55 | 204.77 | 179.03 | FOB | 363.48 | 291.56 | | 340.00 | | 385.00 | | | | 410.00 |
| N.S. | Week ago | | 192.36 | 191.02 | 196.67 | 171.57 | | 348.93 | 285.71 | | 334.50 | | 375.00 | | | | 400.00 |
| Truro | This week | Water | 214.60 | N/A | N/A | 182.25 | | | | | | | | | | | |
| N.S. | Week ago | & Truck | 192.00 | N/A | N/A | 172.70 | | | | | | | | | | | |
| Halifax | This week | In-store | 205.60 | N/A | N/A | 173.25 | FOB | | | | 292.75 | (5) 800.00 | | | | | |
| N.S. | Week ago | | 183.00 | N/A | N/A | 163.70 | | | | | 292.75 | (5) 725.00 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5397 as of July 16, 2001
Thunder Bay prices are based on the Winnipeg Commodities Exchange market close
Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis, Canola Meal Protein based on minimum standard of 35%, Gluten Feed 21% Protein, Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.
 (1) Wheat 3CWR5 (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast (5) Fish Meal (60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday July 16, 2001

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|----------------------|--------------------------|--------|-----------|----------|-----------|----------|
| From: Thunder Bay 2 | In-Store | WHEAT | 140.00 | 125.00 | 136.90 | 130.60 |
| | | OATS | 144.86 | 144.86 | 137.66 | N/A |
| | | BARLEY | 155.00 | 141.00 | 133.30 | 105.70 |
| To: Bayports, Ont. | In-store | WHEAT | 163.10 | 148.10 | 160.00 | 153.70 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 182.15 | 168.15 | 160.45 | 132.85 |
| Montreal, Que. | In-store | WHEAT | 167.85 | 152.85 | 164.75 | 158.45 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 187.27 | 173.27 | 165.57 | 137.97 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 190.32 | 175.32 | 187.22 | 180.92 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 213.63 | 199.63 | 191.93 | 164.33 |
| Truro, N.S. | Truck via Halifax | WHEAT | 187.82 | 172.82 | 184.72 | 178.42 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 208.75 | 194.75 | 187.05 | 159.45 |
| Halifax, N.S. | In-store | WHEAT | 175.15 | 160.15 | 172.05 | 165.75 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 195.07 | 181.07 | 173.37 | 145.77 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 234.93 | 219.93 | 231.83 | 225.53 |
| | | OATS | 251.06 | 251.06 | 243.86 | N/A |
| | | BARLEY | 262.14 | 248.14 | 240.44 | 212.84 |
| From: Melfort, Sask. | FOB | WHEAT | 155.50 | 140.00 | 133.70 | 117.60 |
| | | OATS | 127.96 | 127.96 | 119.77 | 111.81 |
| | | BARLEY | 144.70 | 131.60 | 127.30 | 100.70 |
| To: Bayports, Ont. | Track | WHEAT | 211.62 | 196.12 | 189.82 | 173.72 |
| | | OATS | 186.83 | 186.83 | 178.64 | 170.68 |
| | | BARLEY | 198.09 | 184.99 | 180.69 | 154.09 |
| Montreal, Que. | Track | WHEAT | 212.37 | 196.87 | 190.57 | 174.47 |
| | | OATS | 187.73 | 187.73 | 179.57 | 171.58 |
| | | BARLEY | 198.91 | 185.81 | 181.51 | 154.91 |
| Moncton, N.B. | Track | WHEAT | 233.55 | 218.05 | 211.75 | 195.65 |
| | | OATS | 211.07 | 211.07 | 202.88 | 194.92 |
| | | BARLEY | 211.02 | 197.92 | 193.62 | 167.02 |
| Truro, N.S. | Track | WHEAT | 233.72 | 218.22 | 211.92 | 195.82 |
| | | OATS | 212.04 | 212.04 | 203.85 | 195.89 |
| | | BARLEY | 224.64 | 211.54 | 207.24 | 180.64 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 277.06 | 261.56 | 255.26 | 239.16 |
| | | OATS | 259.42 | 259.42 | 251.23 | 243.27 |
| | | BARLEY | 272.93 | 259.83 | 255.53 | 228.93 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|-----------|----------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 135.89 | 125.20 | 114.74 | 104.88 |
| To: Montreal, Que. (US Corn) | In-store | | 154.79 | 144.10 | 133.64 | 123.78 |
| From: Saginaw (Mi) | Track | | 126.80 | 116.82 | 108.15 | 96.70 |
| To: Montreal, Que. (US Corn) | Track | | 154.34 | 144.36 | 135.69 | 124.24 |
| From: Chatham | Track | | 129.62 | 126.08 | 121.45 | 102.55 |
| To: Montreal, Que. | Track | | 152.51 | 148.97 | 144.34 | 125.44 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|----------------------|--------------------------|--|--------|--------|--------|--------|
| From: Hamilton, Ont. | | | 339.40 | 331.57 | 319.45 | 288.91 |
| To: Montreal, Que. | Track | | 361.87 | 354.04 | 341.92 | 311.38 |
| Moncton, N.B. | Track | | 379.18 | 371.35 | 359.23 | 328.69 |
| Truro, N.S. | Track | | 382.15 | 374.32 | 362.20 | 331.66 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 431.41 | 423.58 | 411.46 | 380.92 |

1. Prices include one month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Bi-weekly Bulletin

August 3, 2001 Volume 14 Number 14

EUROPEAN UNION: OILSEED SITUATION AND OUTLOOK

In 1999, the European Union (EU) agreed to a reform of its Common Agricultural Policy (CAP). However, additional reforms are expected to prepare for enlargement of the EU into Central and Eastern European Countries (CEECs) and for upcoming World Trade Organization (WTO) agriculture negotiations, and to address concerns over spending. Recent food crises such as the Bovine Spongiform Encephalopathy (BSE) and Foot and Mouth Disease (FMD) have added further impetus for reform. The EU is a major producer and consumer of oilseeds and oilseed products and the proposed changes are expected to reduce production and increase imports, which is expected to support world oilseed prices. This issue of the *Bi-weekly Bulletin* investigates the situation and outlook for oilseeds and oilseed products due to Agenda 2000 in the EU and assesses the impact of these changes on Canadian exports.

AGENDA 2000: PARTIAL REFORM OF THE EU CAP

With Agenda 2000, agreed to at the Berlin summit on March 25-26 1999, the EU CAP underwent a number of sweeping changes, largely in response to budgetary issues as the EU prepares to expand into CEECs. Agriculture is by far the largest item of expenditure within the EU and accounts for about one-half of the EU budget. While far-reaching, the changes to the CAP represented a watering down, and a phasing in, of the original proposals first introduced by the European Commission (EC). Nevertheless, Agenda 2000 is generally regarded as a step in the right direction towards increasing the competitiveness of EU agriculture.

The stated goals of Agenda 2000, are to: (1) improve the competitiveness of EU agriculture, (2) further integrate

EU agriculture in the world economy and fulfill the EU's international commitments (e.g. WTO) (3) facilitate the expansion of the EU to CEECs, and (4) increase the consideration of environmental concerns and enhanced rural development.

However, several deficiencies have been noted in Agenda 2000. Some of these are: (1) the reduction in price supports may not be large enough to guarantee greater access to world markets without export subsidies while incorporating the CEECs, (2) while the alignment of internal support is a step to improving the competitiveness of European agriculture ahead of upcoming multilateral trade negotiations, more discussion of the magnitude and justification for direct payments is expected, (3) milk and sugar quotas remain unreformed so far, and (4) environmental issues need to be clarified.

Under provisions of Agenda 2000, the EU total budget was projected to remain stable at around €89.6 billion annually for 2000-2006 (1€=CAN\$1.32). However the EU's executive commission has urged that the budget be increased to €100 billion for 2002 due to unexpected costs incurred through sector reform and combatting BSE and FMD. Agriculture expenditures are expected to rise from €40.92 billion in 2000 to €43.77 billion in 2003, before declining to roughly the 2000 level by 2006, due to the reform of the CAP.

Approximately one-tenth of agricultural expenditures are ear-marked for rural development. Additional reforms of the CAP are expected as a result of enlargement of the EU into CEECs, and to address concerns over spending and to prepare for the WTO agriculture negotiations. Recent food safety



crises are adding further impetus for reform.

BOVINE SPONGIFORM ENCEPHALOPATHY

BSE, more commonly known as "Mad Cow Disease", was first detected in the United Kingdom (UK) in 1984 and was specifically diagnosed in 1986. By 1990, about 14,000 cases of BSE, out of a total cattle population of 10 million head (Mhd), were diagnosed in the UK. The outbreak peaked in 1992-1993 at about 1,000 head a week and with the introduction of control measures, new outbreaks have fallen off to about 100 cases per week. The disease has also been detected in several other member states.

BSE is a fatal disease that affects the brains of cattle and is one of several diseases categorized as Transmissible Spongiform Encephalopathies. The disease is generally considered to be caused by a "self replicating" protein, known as a prion. BSE was thought to be spread through the livestock food supply when bone, meat, feather and blood meal (MBM) was fed to livestock. The EU had implemented a ban on

feeding MBM to ruminants several years ago. The EU temporarily extended this ban to all farm livestock beginning January 2001, resulting in the displacement of approximately 2.5 million tonnes (Mt) of MBM annually. Animal fats are not banned, but are subject to a 0.15% level of impurities and protein.

Consequently, imports of protein meals, most notably soybean meal, were forecast to increase by about 3 Mt annually, although these estimates have subsequently been reduced to 1.0-1.5 Mt. The demand for protein meal will be mostly filled through increased imports of soybeans, followed by soybean meal, which will mostly originate from South America. Consumption of domestic and imported canola/rapeseed and canola/rape meal, sunflowerseed meal, feed grains, corn gluten, field peas and beans is expected to increase. While the ban on feeding of MBM was originally imposed for six months, it has been extended until early 2002. Proposals to extend the ban and make it permanent have been rejected by a majority of member states.

FOOT AND MOUTH DISEASE

An outbreak of FMD was confirmed in the UK on February 20, 2001. On May 3, 2001, less than three months after the first outbreak was confirmed, Britain reportedly culled over 3.5 million animals, out of a total livestock population of over 60 Mhd. The culling was an attempt to prevent the disease from spreading by isolating and removing animals within a containment zone. The British government has paid out approximately CAN\$2.3 billion to farmers in compensation for slaughtered animals and the total cost of the disease is expected to exceed CAN\$4.6 billion. By the beginning of May 2001, more than 1,600 cases of FMD in British livestock have been confirmed with 26 cases in the Netherlands, 2 in France and 1 in Ireland.

At the time of publication, assessing the long run impact of the FMD on European livestock production, and protein meal demand, remains premature. However, in the short run, exports of chicken from Thailand to the EU have increased by 10% in response to reduced meat production in the EU. Consequently, soymeal

AGENDA 2000 CHANGES

| Measure | EU Council Decision |
|---------------------------------------|---|
| Intervention Price for cereals | 15% cut, in two equal steps, ie. 110 €/t in 2000-2001; 101.31 €/t in 2001-2002. |
| Monthly increments | Maintained as at present. |
| Area payment for cereals | Increase in two equal steps, i.e. 58.67 €/t in 2000-2001; 63 €/t in 2001-2002. |
| Area payment for oilseeds | Three step reduction commencing in 2000-2001 to 63 €/t in 2002-2003. |
| Area payment for pulses | Proposal retained. |
| Area payment for linseed | Three step reduction commencing in 2000-2001 to 63 €/t in 2002-2003. |
| Aid for grass silage | In member states where maize is not a traditional crop, grass silage is eligible for the cereal payment, within a specific base area, without increasing the total base area. |
| Compulsory set-aside | Set at 10% for the whole period. |
| Specific measures | Increase in reference yield for Spain and Italy. In Finland and Northern Sweden, additional 19 €/t for drying cereals and oilseeds. |

Source: *Agenda 2000 Cap Reform Decisions, Impact Analysis*, (Feb 2000) European Commission, Directorate General for Agriculture.

EU: OILSEEDS AND OILSEED PRODUCTS SUPPLY AND DISPOSITION

| October-September crop year | 1999 -2000 | 2000 -2001 | 2001 -2002 ^f |
|-----------------------------------|---------------|---------------|----------------------------|
|million tonnes..... | | | |
| OILSEEDS ^{/1} | | | |
| Carry-in Stocks | 1.74 | 1.71 | 1.38 |
| Production: | | | |
| Rapeseed | 11.44 | 9.16 | 8.78 |
| Soybean | 1.15 | 1.04 | 1.24 |
| Sunflowerseed | 3.21 | 3.39 | 3.38 |
| Other | 0.83 | 0.73 | 0.79 |
| Total Production | 16.63 | 14.32 | 14.19 |
| Imports | 22.19 | 23.39 | 24.00 |
| Total Supply | 40.56 | 39.42 | 39.57 |
| Exports | 1.36 | 0.70 | 0.50 |
| Total Domestic Use* | 37.49 | 37.34 | 37.57 |
| Total Use | 38.85 | 38.04 | 38.07 |
| Carry-out Stocks | 1.71 | 1.38 | 1.50 |
| EDIBLE OIL ^{/2} | | | |
| Carry-in Stocks | 1.90 | 1.73 | 1.57 |
| Production | 10.46 | 10.39 | 10.90 |
| Imports: | | | |
| Canola/Rapeseed | 1.30 | 1.30 | 1.30 |
| Soybean | 0.50 | 0.50 | 0.50 |
| Palm | 2.90 | 3.10 | 3.20 |
| Other | 3.11 | 3.25 | 3.20 |
| Total Imports | 7.81 | 8.15 | 8.20 |
| Total Supply | 20.17 | 20.27 | 20.67 |
| Exports ^{/2a} | 1.59 | 1.59 | 1.46 |
| Total Domestic Use* | 16.85 | 17.11 | 17.41 |
| Total Use | 18.44 | 18.70 | 18.87 |
| Carry-out Stocks | 1.73 | 1.57 | 1.80 |
| PROTEIN MEAL ^{/3} | | | |
| Carry-in Stocks | 1.35 | 1.35 | 1.35 |
| Production | 20.36 | 20.80 | 21.20 |
| Imports: | | | |
| Soymeal | 16.52 | 17.47 | 18.17 |
| Other | 5.19 | 4.48 | 4.18 |
| Total Imports | 21.71 | 21.95 | 22.35 |
| Total Supply | 43.42 | 44.10 | 44.90 |
| Exports ^{/3a} | 1.47 | 1.48 | 1.60 |
| Total Domestic Use* | 40.60 | 41.27 | 41.95 |
| Total Use | 42.07 | 42.75 | 43.55 |
| Carry-out Stocks | 1.35 | 1.35 | 1.35 |

* Domestic Use is residual

/1 Includes canola/rapeseed, soybean, sunflowerseed, cottonseed, peanut, copra and palm kernel.

/2 Includes canola/rapeoil, soyoil, sunoil, cottonseed oil, palmoil, olive oil, fish oil, and coconut oil.

/2a Rapeoil and soyoil

/3 Includes canola/rapemeal, soymeal, sunmeal, cottonseed meal, peanut meal, copra, palm kernel meal, and fish meal.

/3a Soymeal

f: forecast, AAFC, July 2001

Source: USDA, Cocereals

consumption in Thailand has increased in response to BSE and FMD in the EU.

SITUATION: OILSEED PRODUCTION DECLINES ON STABLE CONSUMPTION

The EU-15 is a major trader and consumer of oilseeds. It is the world's largest importer of soymeal, the second largest importer of soybeans, after Asia, and the world's fourth largest crushing region, after the U.S., Latin America, and Asia. The EU is also a major consumer of rapeseed, sunflowerseed, rapemeal, sunmeal, and corn gluten feedmeal. Total protein meal consumption, on a soymeal equivalent basis exceeds 43 Mt compared to 31 Mt for the U.S. and 27 Mt for China.

Under the terms of the Blair House Agreement, the key agreement between the EU and United States (U.S.) that was fundamental to the successful conclusion of the Uruguay Round of trade negotiations, the area seeded to oilseeds in the EU was limited to 5.48 million hectares (Mha) (see *Bi-Weekly Bulletin Volume 9 Number 14*). Any excess over this area is subject to penalties. An exception is the planting of oilseeds for industrial use, such as bio-diesel, on set-aside land. Since the oilseed area in the EU did not exceed the EU Maximum Guaranteed Area (MGA) in 1999, no penalty was implemented on oilseed producers for 2000.

For 2000-2001, the area seeded to oilseeds declined by 9% due to a combination of low market prices and the drop in direct area subsidy from €94.2/t in 1999-2000 to €81.7/t. Consequently, EU oilseed production has reportedly declined by 14%, to 14.3 Mt, as a result of below normal yields due to the cold and wet growing conditions.

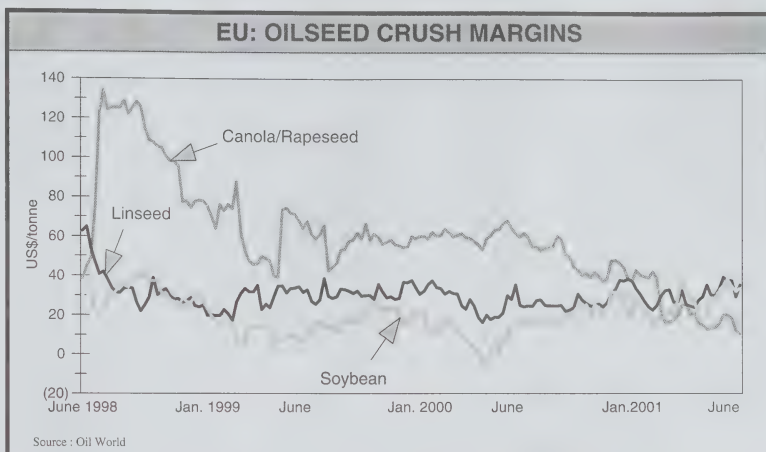
Rapeseed production makes up almost two-thirds of total EU oilseed output. The trend towards increased rapeseed production was reversed for 2000-2001 as output declined by 19% due to a combination of lower harvested area and reduced yields. However, the decline in supplies was partly mitigated by an increase in imports. EU crushing of rapeseed is projected to decline by 0.7 Mt, to 9.3 Mt, for 2000-2001, due to pressure from burdensome world vegoil supplies and declining crush margins.

Soybeans make up less than 10% of total EU oilseed output and production has declined by about one-third since the record high set in 1997-1998. After falling in 1999-2000, imports are projected to rebound slightly for 2000-2001, but remain below the record high established in 1997-1998. Most of the soybean imports originate from the U.S. and Brazil and are used for crushing. The EU also imports a limited quantity of soybeans from Canada for crushing and for niche markets which require the use of identity preserved marketing, such as non-genetically modified organism (GMO) soybeans.

OUTLOOK

For 2001-2002, the area seeded to oilseeds declined slightly, as a result of lower market prices and the drop in direct area payments, resulting in a shift into wheat and coarse grains. Oilseed production is projected to decline slightly due to lower than normal yields as a result of less than ideal growing conditions in France and the UK. Total oilseed supplies are projected to rise due to an increase in soybean imports from the U.S. and Brazil.

For 2001-2002, EU consumption of oilseeds is expected to rise due to increased crush volumes, which are expected to rise as higher oilseed supplies and stronger protein meal usage offsets pressure from low crush



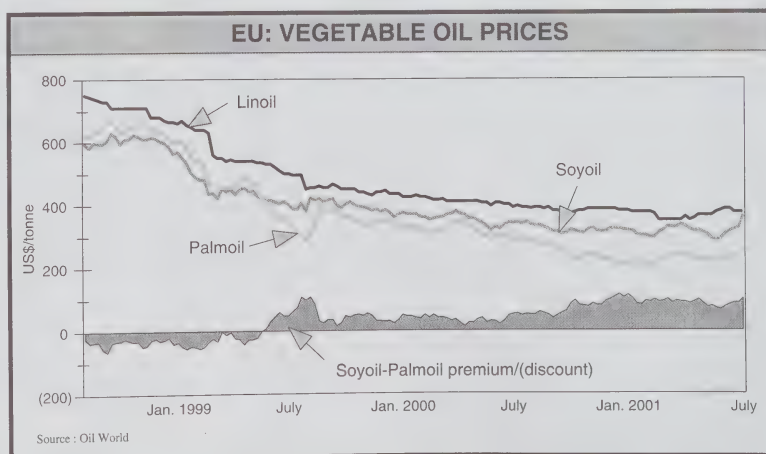
margins, and weak vegoil prices. Concurrently, exports of oilseeds are expected to be constrained by competition from burdensome U.S. and South American soybean supplies.

Production of vegetable oils and protein meals are forecast to increase slightly as the result of the increased crush. However, imports of both commodities are expected to increase slightly due to burdensome world supplies and historically low prices. Soymeal imports are projected to increase by about 0.9 Mt for 2001-2002 in response to the EU-wide ban on meat and bone meal in livestock rations.

Record High Vegoil Consumption

Vegoil production is forecast to rise by about 5% for 2001-2002, but remain slightly below the record high established in 1998-1999, as reduced yields from crushing offset the increased volume of oilseeds.

Supplies of vegoils are expected to increase, as the EU supplements the rise in production with increased imports. Total vegoil consumption is expected to rise by 2%, to a record high 17.4 Mt, due to an increased per-capita consumption driven by sharply lower prices. At the same time, exports are projected to decline due to competition from burdensome soyoil supplies in the U.S. and Argentina and palmoil supplies in Malaysia and Indonesia.



Soyoil production is expected to increase from 2000-2001, to near record highs. With imports of soyoil expected to remain unchanged, supplies are expected to rise at a rate similar to the change in output. Domestic consumption is forecast to increase from 1999-2000 lows, but remain below the record high set in 1992. Exports are projected to decrease slightly under pressure from burdensome world supplies.

The production of rapeoil is also forecast to decline by 7% from the record highs of 1999-2000, to slightly under 3.5 Mt due to reduced supplies of raw rapeseed and pressured crush margins. Supplies of rapeoil are projected to decline by 6% for 2000-2001 as the drop in production is compounded by a decline in imports. Consumption of rapeoil in the EU is projected to rise to 3.15 Mt, an increase of 5 % since 2000-2001, but exports are projected to drop by 12 %, from the record 1.87 Mt, set in 1999-2000.

Protein Meal Usage Rises

For 2001-2002, the supply of protein meals in the EU is projected to rise slightly due to an increase in production combined with an increase in imports. EU consumption of protein meals is projected to rise by about 9% as the region-wide ban on meat and bone meal increases the demand for alternative sources of vegetative protein. This rise in EU protein meal demand will be tempered by the decline in livestock population resulting from heavy culling in the EU's attempt to staunch the spread of FMD. Consequently, the consumption of soy meal is projected to rise by about 4%, while the usage of canola/rapemeals will be restricted by tight supplies of raw seed.

Medium-Term Outlook

In July 2001, the EC published a report entitled, "Prospects for Agricultural Markets 2001-2008." Based on the EC's outlook and stated assumptions on domestic agriculture policy and trade environment, the area

seeded to oilseeds (including non-feed use) is expected to decline from 5.6 Mha in 2001-2002 to 5.2 Mha in 2002-2003 when the Agenda 2000 CAP reform is fully implemented and cereal and oilseed intervention prices are aligned. The drop in compensatory payments to the same level as cereals was very controversial and was one reason why a mid-term review of the new policy was agreed to for 2002. Area seeded to oilseeds is projected to recover starting in 2005-2006 and reach about 5.4 Mha by 2008-2009, due to the expected strengthening of world oilseed prices. Soybean area is expected to decline by 0.1 Mha from 2001-2002 to 0.3 Mha in 2002-2003, and remain at that level over the medium-term. Rapeseed area is projected to fall slightly to 2.9 Mha in 2002-2003, and then stabilize at 3 Mha from 2005-2006 onwards. In contrast, the area seeded to sunflowers is projected to increase slightly to 2.1 Mha by 2008-2009, rebounding from a slight drop early in the projected period.

EUROPEAN UNION: DEVELOPMENT OF POLICY SUPPORT FOR OILSEEDS

The EU oilseed support scheme changed in 1991 from deficiency payments to the oilseed crushing industry to a system that paid oilseed producers a per hectare subsidy directly. The May 1992 MacSharry reform, together with the Blair House accord of the Uruguay Round trade negotiations, put a restriction on the areas planted to rapeseed, soybeans and sunflowers. This Maximum Guaranteed Area (MGA) was 5.128 Mha for EU-12 (base EU Membership), increasing to 5.482 Mha for EU-15 (expanded EU membership). A minimum set-aside rate of 10% of base area applies.

The area payment is based on a pre-determined level of compensation per tonne. The per tonne amount is converted into area payments based on the average historic regional yields per hectare, a world reference price and a fixed ratio between oilseeds and cereals prices. This payment is constrained by the MGA with the amount of the payment reduced by 1% for every 1% that the MGA is exceeded. The 1999 reform (Agenda 2000) introduced progressive reductions to the area payment for oilseeds through 2002-2003, when the oilseed payment is aligned to the level of payment for cereals at 63 euro per tonne. The EU believes that the MGA provisions do not apply from 2002-2003, the argument being that the payment rate will then be the same as for cereals.

The area payments are viewed by many as having distorting effects on production and trade since such payments are linked to production. Producers are required to plant their eligible base area to one of the three types of oilseeds to receive the payment.

For more information:

Mui-heng Tan, Senior Policy Analyst,

Foreign Agri-Food Analysis, Agriculture and Agri-Food Canada

Telephone: (613) 759-7416 Fax: (613) 759-7036 Email: tanmh@em.agr.ca

Non-food oilseed (mostly rapeseed) area is projected to stabilize around 0.8 Mha over the medium-term.

Yields are projected to rise and reach 2.8 tonnes per hectare by 2008-2009. However, oilseed production is projected to decline in the short run, to 13.2 Mt by 2002-2003, a drop of 3.4 Mt from 1999-2000, due to the decline in seeded area. Then it is expected to rebound to 15.2 Mt by 2008-2009. Production of non-food oilseeds is forecast at about 2.4 Mt annually over the medium-term.

Under the Blair House Agreement, production of non-food oilseeds is limited by provisions that protein meal by-products not exceed 1 Mt, on a soymeal equivalent basis.

Consumption of oilseeds is projected to increase slowly over the medium-term, to around 34-35 Mt annually, with most of the increase occurring in the import and processing of soybeans. Food-grade, vegoil consumption is also forecast to rise slowly, due to slow population and income growth. Non-edible vegoil usage is projected to rise, with the rate of growth to be determined by world crude oil prices and the US\$/€ exchange rate. Assuming a permanent ban on meat and bone meal usage in livestock rations, vegetative protein meal use is expected to rise slowly after the sharp increase in 2001-2002. The rate of growth could be limited, depending on the long run impact of BSE and FMD on EU livestock production.

The production of biodiesel is expected to increase significantly within the EU with 7 new factories reportedly under construction and 7 more planned in Germany. These 14 plants are expected to have an annual capacity of about 1.0 Mt, which is in addition to the current capacity of 0.25 Mt a year for Germany. If these plants are built, the industrial demand for rapeseed is projected to rise to

about 3.0 Mt a year, approximately one-third of the total EU production of rapeseed.

IMPACT ON CANADA

Canada exports a relatively small volume of oilseeds to the EU, although it is the major exporter of flaxseed and non-GMO soybeans. The non-GMO portion of soybeans is growing in importance although it makes up only a portion of total Canadian soybean exports. Canadian exports have declined sharply in recent years, largely due to the EU's inability to advance the approval of genetically modified canola produced in Canada.

EU member state governments have reacted to intense political opposition to GMO's by some interest groups by delaying the approval process. The moratorium on approval also reflects the public's mistrust in regulatory agencies stemming from the regulatory crises associated with BSE and FMD outbreak. As well, major EU supermarkets and major food manufacturers have removed GM food products from their lines in a response to campaigns of some activists and a negative reaction from EU consumers.

There are no health, food safety or environmental reasons to block GMO canola from being approved for the EU market. This has been confirmed by two favourable opinions by the EU's independent scientific committee on plants. Key industry observers are of the opinion that the EU is at least two or three years away from approving the import of GMO products.

Over the medium-term, reform of the CAP and other agricultural issues is expected to support Canadian exports of flaxseed and non-GMO soybeans.

CANADA: OILSEED AND OILSEED PRODUCT EXPORTS TO THE EU

| | 1999 -2000 | 2000 -2001f | 2001 -2002f |
|--------------------------|---------------|----------------|----------------|
|million tonnes..... | | | |
| Soybean | 0.17 | 0.16 | 0.16 |
| Soymeal | 0.02 | 0.01 | 0.01 |
| Linseed | 0.38 | 0.55 | 0.60 |
| Linoil | 0.10 | 0.03 | 0.03 |
| Canola meal | 0.04 | 0.03 | 0.03 |

f: forecast, AAFC, July 2001

Source: Statistics Canada

As well, by decreasing production distorting direct aid payments, the EU is moderating one of the market-distorting subsidies that are pressuring world, and Canadian, oilseed prices.

For more information:

Chris Beckman

Oilseeds Analyst

Phone: (204) 984-4929

E-mail: beckmac@em.agr.ca

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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B. CASH PRICES AND REPLACEMENT VALUES

As of Monday July 30, 2001

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|----------------------|--------------------------|--------|-----------|----------|----|-----------|----------|
| From: Thunder Bay 2 | In-Store | WHEAT | 135.50 | 144.20 | | 117.50 | 132.70 |
| | | OATS | 188.81 | 175.79 | | 141.22 | N/A |
| | | BARLEY | 149.90 | 155.00 | | 133.50 | 106.80 |
| To: Bayports, Ont. | In-store | WHEAT | 158.60 | 167.30 | 1. | 140.60 | 155.80 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 177.05 | 182.15 | 1. | 160.65 | 133.95 |
| Montreal, Que. | In-store | WHEAT | 163.35 | 172.05 | 1. | 145.35 | 160.55 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 182.17 | 187.27 | 1. | 165.77 | 139.07 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 185.82 | 194.52 | | 167.82 | 183.02 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 208.53 | 213.63 | | 192.13 | 165.43 |
| Truro, N.S. | Truck via Halifax | WHEAT | 183.32 | 192.02 | | 165.32 | 180.52 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 203.65 | 208.75 | | 187.25 | 160.55 |
| Halifax, N.S. | In-store | WHEAT | 170.65 | 179.35 | 1. | 152.65 | 167.85 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 189.97 | 195.07 | 1. | 173.57 | 146.87 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 230.43 | 239.13 | | 212.43 | 227.63 |
| | | OATS | 295.01 | 281.99 | | 247.42 | N/A |
| | | BARLEY | 257.04 | 262.14 | | 240.64 | 213.94 |
| From: Melfort, Sask. | FOB | WHEAT | 144.50 | 153.20 | | 132.90 | 118.70 |
| | | OATS | 170.85 | 157.78 | | 123.34 | 110.46 |
| | | BARLEY | 143.90 | 146.10 | | 126.50 | 98.80 |
| To: Bayports, Ont. | Track | WHEAT | 200.62 | 209.32 | | 189.02 | 174.82 |
| | | OATS | 229.72 | 216.65 | | 182.21 | 169.33 |
| | | BARLEY | 197.29 | 199.49 | | 179.89 | 152.19 |
| Montreal, Que. | Track | WHEAT | 201.37 | 210.07 | | 189.77 | 175.57 |
| | | OATS | 230.62 | 217.55 | | 183.11 | 170.23 |
| | | BARLEY | 198.11 | 200.31 | | 180.71 | 153.01 |
| Moncton, N.B. | Track | WHEAT | 222.55 | 231.25 | | 210.95 | 196.75 |
| | | OATS | 253.96 | 240.89 | | 206.45 | 193.57 |
| | | BARLEY | 210.22 | 212.42 | | 192.82 | 165.12 |
| Truro, N.S. | Track | WHEAT | 222.72 | 231.42 | | 211.12 | 196.92 |
| | | OATS | 254.93 | 241.86 | | 207.42 | 194.54 |
| | | BARLEY | 223.84 | 226.04 | | 206.44 | 178.74 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 266.06 | 274.76 | | 254.46 | 240.26 |
| | | OATS | 302.31 | 289.24 | | 254.80 | 241.92 |
| | | BARLEY | 272.13 | 274.33 | | 254.73 | 227.03 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 133.21 | 125.28 | | 116.51 | 103.67 |
| To: Montreal, Que. (US Corn) | In-store | | 152.11 | 144.18 | 1. | 135.41 | 122.57 |
| From: Saginaw (Mi) | Track | | 125.36 | 117.98 | | 112.93 | 90.87 |
| To: Montreal, Que. (US Corn) | Track | | 152.90 | 145.52 | | 140.47 | 118.41 |
| From: Chatham | Track | | 129.72 | 125.19 | | 122.53 | 104.03 |
| To: Montreal, Que. | Track | | 152.61 | 148.08 | | 145.42 | 126.92 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|----------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 336.97 | 327.71 | | 332.89 | 268.74 |
| To: Montreal, Que. | Track | | 359.44 | 350.18 | | 355.36 | 291.21 |
| Moncton, N.B. | Track | | 376.75 | 367.49 | | 372.67 | 308.52 |
| Truro, N.S. | Track | | 379.72 | 370.46 | | 375.64 | 311.49 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 428.98 | 419.72 | | 424.90 | 360.75 |

- Prices include one month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
 Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Bi-weekly Bulletin

August 24, 2001 Volume 14 Number 15

MALAYSIA: 

PALMOIL SITUATION AND OUTLOOK

Malaysia is the world leader in the production of palm and palm kernel oils, and it is also the largest exporter of edible oils. Supplying about 12% of the fats and oils consumed worldwide, Malaysia has a major influence on the world oilseeds market. More recently, faced with low world prices for edible oils, government and industry officials have directed some of their efforts at value-adding activities in order to maintain Malaysia's economic well-being. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Malaysia's palmoil industry, and the implications for the world oilseeds sector.

BACKGROUND

The Economy

Since the 1970s, Malaysia's economy has gone through a major transformation. From one based mainly on exporting raw materials such as rubber and tin, it has evolved into one of the most diversified economies in southeast Asia. In recent years, Malaysia has focussed on export-oriented manufacturing and processing to fuel its economic growth. It has done so by exploiting the comparative advantages of a skilled and productive work force, a well-developed infrastructure, and a favourable currency exchange. Relative to the United States (U.S.) dollar, the Malaysian Ringgit (RM) has depreciated by about one-third during the past five years.

The agriculture, forestry and fishing sectors continue to be the backbone of Malaysia's economy. In 1970, those sectors contributed about one-third of the country's gross domestic product (GDP). Although that proportion has since decreased to about one-fifth of GDP, the sectors still provide employment for the majority of Malaysia's workforce.

In 1999, Malaysia recovered from its worst recession since gaining independence in

1957. The quick recovery is largely attributed to an export sector that, in addition to helping increase GDP by 5%, enabled the country to build up its financial reserves and to relax most of the capital controls that had been imposed by government during the Asian financial crisis of 1998. Although Malaysia's economic prospects are reasonably good for the short term, its longer term prospects may be limited if reforms in the corporate sector are not realized, particularly those with respect to improving competitiveness and dealing with high corporate debt.

Palmoil

The oil-yielding palm tree, or *Elaeis guineensis*, originated in West Africa and was introduced to Malaysia in about 1870 as an ornamental plant. By 1917 it was being cultivated on a commercial scale for some of its products. Currently, palmoil tree production occurs on about three million hectares (Mha), which is well over one-third of Malaysia's total cultivated area. The perennial crop is harvested throughout the year and the trees usually remain productive for 20 to 25 years.

On a per hectare basis, the palmoil tree yields more oil than any other plant, producing five and nine times as much oil

as groundnuts and soybeans, respectively. On average, a mature Malaysian plantation produces the equivalent of about 4 tonnes per hectare (t/ha) of crude palmoil, with some plantations yielding as much as 6 t/ha. A unique feature of the palmoil tree is that it produces two types of oil: palmoil from the outer layer (or flesh) of the fruit; and palm kernel oil from the seed or kernel. For every 10 units of palmoil produced, about one unit of palm kernel oil is produced.

The refining of crude palmoil in Malaysia began in the early 1970s in response to the government's call for increased industrialization. With the establishment of refineries, a wide range of processed palmoil products became available. Palmoil is used in numerous food and non-food applications, but it is used primarily as an edible oil, and to make soap. After the oil is extracted from the outer layer of the fruit and refined, much of it is used as a cooking oil and to make shortening. It is also used to make margarine, vegetable ghee, and other such products.

In the world market for vegetable oils, palmoil has accounted for as much as 27% of production and 49% of exports during the past decade. During this period, global

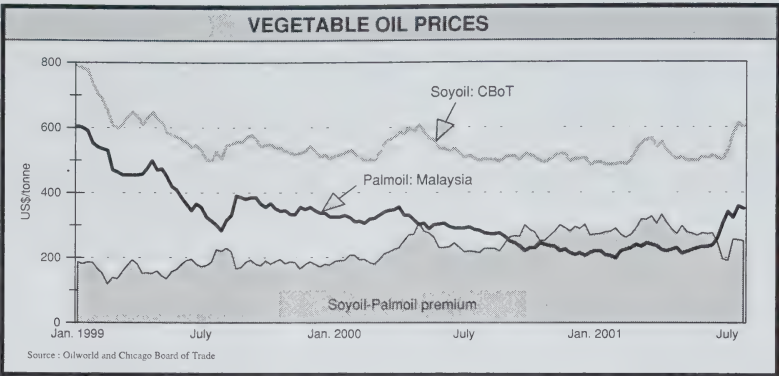


production of palmoil has more than tripled. *Oilworld* predicts that palmoil could become the leading vegoil, ahead of soyoil, by 2012. This may be due in part to the fact that the palmoil market, unlike the soyoil market, is independent of the meal and protein market and, as such, it is insulated from some of the factors that affect the oilseeds market.

Palmoil has been very competitive in the edible oils market because of relatively low land prices, limited pest pressures, and cheap labour in countries such as Indonesia and Thailand. However, land prices are increasing and higher wages have eroded some of palmoil's comparative advantage, especially in more industrialized countries such as Malaysia. Another consideration is that, in addition to being very labour intensive, palmoil production is very susceptible to the long-term effects of severe weather occurrences such as typhoons.

The importance of the palmoil industry to the Malaysian economy was particularly evident in 1998 when total exports of palmoil and palmoil products reached a record RM 21.3 billion (CAN\$8.1 billion). However, with palmoil production at, or near, record high levels, Malaysian government officials and the industry have stepped up efforts to increase its consumption as a means of dealing with an oversupplied market.

Those efforts include educating the consuming public to the desirable properties of palmoil. For instance, food



manufacturers generally use palmoil because it has distinct characteristics, requires little or no hydrogenation, and prolongs the shelf life of the prepared food products for which it is used. Food manufacturers also find palmoil more cost effective than using polyunsaturated oils to achieve the same results because polyunsaturated oils require more processing and their unit cost is usually higher. Like other edible fats and oils, palmoil is easily digested, and absorbed in normal metabolic processes. It therefore plays an important role in meeting energy and nutritional needs in many regions of the world.

On the other hand, Malaysia's attempts to use crude palmoil as fuel in some of its larger power plants have been, for the most part, unsuccessful. Malaysia's Primary Industries Ministry is now encouraging smaller generating facilities to use a mix of refined palm olein and diesel to power their plants. A fuel additive based on palmoil has also been developed that, when added to diesel fuel, increases engine power and fuel economy, and reduces black smoke emissions. To further increase consumption of palmoil, a crankcase lubricant has been developed that lasts up to six times longer than most products currently in use.

Competition in the Palmoil Market

The second largest producer of palmoil in the world is **Indonesia**. Since 1995-1996, production has increased by about 60%, to a record 7.3 million tonnes (Mt) in 2000-2001 which is attributed mostly to large investments from outside sources looking to capture the economic advantages of Indonesia's cheap labour.

Africa is also a major producer of palmoil. For 2000-2001, Nigeria, Ivory Coast, Cameroon, and Ghana are expected to produce a total of 1.3 Mt of palmoil, of which about 10% will likely be exported. The major exporting country is Ivory Coast, which exports about one-third of its annual production.

The tropical weather of some **South American** countries is also conducive to palmoil production, and yields are generally comparable to those in southeast Asia. Colombia, Ecuador, and Brazil produce about 750,000 tonnes (t) of palmoil annually, but their ability to compete is constrained by relatively high labour costs, compared to the major producers in Asia. Therefore, instead of trying to compete with the low-cost producers, Brazil has concentrated its efforts on niche markets such as that for organic food products.

In terms of domestic consumption, Brazil uses about 120,000 t of palmoil annually, one-third of which is imported. Gessey Lever, a leading Brazilian manufacturer of margarine, mayonnaise, detergents and other products derived from palmoil is reported to pay about US\$60 per tonne (t) to bring palmoil from the refinery in Belém, Brazil, versus US\$45/t to bring it in from Malaysia. Furthermore, because palmoil can easily be contaminated during handling, and because Brazilian refiners do not have the same processing, handling, and testing facilities as those available in Malaysia, it is often advantageous to import palmoil from Malaysia.

Palmoil production in **Latin America** is relatively low, but it is important because much of that production is exported. For 2000-2001, its major palmoil producing countries - Costa Rica, Honduras, and

MALAYSIA: PALMOIL SUPPLY AND DISPOSITION

| October-September crop year | 1999 -2000 | 2000 -2001e | 2001 -2002f |
|--------------------------------|--------------------------|----------------|----------------|
| |million tonnes..... | | |
| Carry-in Stocks | 1.2 | 1.3 | 1.2 |
| Production | 10.5 | 12.1 | 12.6 |
| Total Supplies | 11.8 | 13.4 | 13.8 |
| Consumption ^{1/} | 1.5 | 1.5 | 1.7 |
| Exports ^{2/} | 8.9 | 10.7 | 11.1 |
| Total Use | 10.4 | 12.2 | 12.8 |
| Carry-out Stocks | 1.3 | 1.2 | 1.0 |

1/ includes exports of further processed products and refining losses and is therefore higher than the actual level.

2/ excludes palm and fatty acid distillates.

e: estimate, f: forecast, August 2001

Source: USDA

Guatemala - are expected to export half of their combined annual production of 285,900 t.

A Comparison of Dietary Fats and Oils

Palmoil is a popular food preparation ingredient and, like all vegetable based oils, contains no cholesterol. However, there are other edible oils which also have desirable properties, particularly in terms of health benefits. Canola oil, for example, contains the lowest level of saturated fat of any edible oil. It also has the second highest level of monounsaturated fatty acid, or oleic acid, which is recognized for its ability to reduce blood cholesterol levels. Canola oil has the highest level of desirable alpha-linolenic acid (Omega-3 fatty acid).

SITUATION 2000-2001

Production

In order to remain competitive in the world market for edible oils and fats, Malaysia is considering an ambitious palmoil replanting scheme. Malaysia's Department of Agriculture estimates that the average age of about one-third of its palmoil trees is 20 years, which means that many of these trees are nearing the end of their productive life. Given the recent oversupply of edible oils on the world market, the Department is encouraging the replacement of about 150,000 ha of the aging palmoids annually.

In addition, plans are underway for 50,000 ha of new plantings per year. The replanting scheme is aimed at helping Malaysia meet future demand for edible

oils, particularly since replanting enables palmoil growers to take advantage of the higher-yielding plants that are now available. With real prices for edible oils on the decline for several decades, palmoil producers have continuously had to improve productivity in order to remain competitive.

For 2000-2001, Malaysia's palmoil production is estimated at a record 12 Mt, up from 10.5 Mt in 1999-2000.

For 2000-2001, yields are forecast to decrease marginally, but harvested area is estimated at 3.2 Mha, an increase of about 8% from the previous year. Malaysia's record production is attributed largely to an estimated 19% increase in production in the Sabah and Sarawak regions, while production in the West Malaysia region is expected to increase only marginally from 1999-2000.

Trade

China and India are Malaysia's most important

customers for its exports of palmoil.

According to the Malaysian Palm Oil Promotion Council, China accounts for 13% of world oils and fats production, and 15% of world consumption. During the past couple of years, China had switched from importing oil to importing soybeans, a move that pressured world prices for oils and fats. However, in July 2001, China announced that it was granting up to 700,000 t more in quotas for palmoil imports, which is expected to provide significant price support for the world oils and fats market.

India, on the other hand, has been pressured by its oilseed farmers to cut down on imports of edible oils, and has increased import duties by 75% on cash crude palmoil (CPO), and 45% on soyoil.

Prices

CPO prices have increased from the average of 700 RM/t in February 2001 to, more recently, the 1200 RM/t (CAN\$487/t) level. This is still considerably less than previous years' prices such as the record price of 2377 RM/t in 1998. Malaysian palmoil prices recently increased by 18% in one week, due largely to the announcement that China would increase their quota on palmoil imports.

OUTLOOK 2001-2002

World

For 2001-2002, world supplies of **vegoils** are forecast to be at a record high due largely to record soybean crops forecast for the U.S. and Brazil. However, with consumption of oils and fats forecast to increase by 3%, carry-out stocks are expected to be at their lowest level since 1997-1998.

There are economic factors that may lessen the magnitude of the increase in world consumption of **oils and fats**. World population growth for the 12 month period ending June 2002 is estimated at 1.27%, but per capita consumption of oils and fats tends to be very low in the countries contributing to most of that population growth. *Oilworld* estimates that per capita consumption ranges from 7.0 kilograms (kg) in Bangladesh, to 18.8 kg in Pakistan. In China and India, it is estimated at 14.6 kg and 12.1 kg, respectively. Another consideration is that the increase in world GDP (forecast by the International Monetary Fund at 3.4% for 2000) may be offset by significant increases in the prices of oils and fats.

WORLD: PALMOIL PRODUCERS

| | 1998 -1999 | 1999 -2000 | 2000 -2001f |
|---------------------------|-----------------|-----------------|-----------------|
|thousand tonnes..... | | | |
| Malaysia | 9,759.1 | 10,491.9 | 12,114.0 |
| Indonesia | 5,920.0 | 6,784.0 | 7,330.0 |
| <i>Angola</i> | 49.5 | 49.0 | 49.0 |
| <i>Benin</i> | 33.6 | 35.4 | 37.4 |
| <i>Cameroon</i> | 146.0 | 156.6 | 161.3 |
| <i>Ghana</i> | 110.0 | 108.5 | 111.0 |
| <i>Ivory Coast</i> | 280.6 | 277.0 | 273.4 |
| <i>Nigeria</i> | 712.6 | 735.1 | 747.5 |
| <i>Sierra Leone</i> | 38.0 | 40.7 | 46.0 |
| <i>Congo Dem Republic</i> | 98.5 | 97.3 | 96.2 |
| Africa | 1,468.8 | 1,499.6 | 1,521.8 |
| <i>Brazil</i> | 90.6 | 105.1 | 109.4 |
| <i>Colombia</i> | 466.0 | 512.6 | 544.0 |
| <i>Ecuador</i> | 236.1 | 248.0 | 254.0 |
| <i>Peru</i> | 34.8 | 37.3 | 38.8 |
| <i>Venezuela</i> | 64.7 | 77.1 | 83.0 |
| South America | 892.2 | 980.1 | 1,029.2 |
| Thailand | 468.0 | 561.0 | 530.0 |
| Papua/New Guinea | 256.6 | 300.0 | 301.0 |
| <i>Costa Rica</i> | 118.6 | 123.0 | 122.6 |
| <i>Dominican Republic</i> | 23.8 | 25.5 | 26.0 |
| <i>Guatemala</i> | 50.5 | 61.3 | 69.9 |
| <i>Honduras</i> | 90.6 | 91.4 | 93.4 |
| <i>Mexico</i> | 17.5 | 24.6 | 33.2 |
| <i>Nicaragua</i> | 8.0 | 8.2 | 8.0 |
| <i>Panama</i> | 11.2 | 11.6 | 11.8 |
| Latin America | 320.2 | 345.6 | 364.9 |
| Other | 273.1 | 296.0 | 325.0 |
| Total | 19,358.0 | 21,258.2 | 23,516.0 |

f: forecast, July 2001

Source: Oilworld

There is concern that higher commodity prices will lessen the use of vegoils for biodiesel production, but major fuel consumers such as the U.S. and the European Union are committed to expanding the use of fuel from renewable sources. The United States Department of Agriculture (USDA), for instance, has announced that its agencies will use biodiesel and ethanol fuels in their fleet vehicles "where practicable and reasonable in cost." This includes the purchase of fleet vehicles designed to run on renewable fuels, and the construction of storage and dispensing facilities for renewable fuels.

Finally, there is the question of how much more world stocks of vegoils can be reduced. In the past ten years, the lowest stocks-to-use ratio (S/U) for vegoils was 9%, and this was recorded in 1997-1998. For 2001-2002, the S/U is forecast at 7.6%, but it must be noted that the figure reflects the increased use of just-in-time delivery methods which help customers keep lower inventories of vegoils.

World supplies of **palmoil**, which represent about one-quarter of the total supply of vegoils, are forecast to be record high for 2001-2002. World production of palm oil is forecast at 24.7 Mt, an increase of about 1.0 Mt, which is considerably less than the year-to-year increases of about 2.1 Mt for the previous three crop years. Increased consumption of palm oil is expected to more than offset increased production, and carry-

out stocks of palm oil will be reduced accordingly.

In **Malaysia**, after three years of high production, palm oil yields are expected to decline in 2001-2002 as palm trees recover from a stressful period. A downward trend in the biological yield as the trees are harvested past their prime, and the effects of reduced fertilizer use, are the major contributors to the decline in palm oil yields. However, increased harvested area and young palm oil trees nearing fruit bearing age will offset the lower yields of the mature and ageing trees. As a result, production is forecast at 12.6 Mt, up from 12.1 Mt in 2000-2001.

In **Indonesia**, which is the world's second largest producer of palm oil, production is expected to decrease in 2001-2002. Among the factors contributing to the decrease are: ethnic unrest, which has affected harvesting and security at plantations; low palm oil prices and high input costs which have affected the amount of fertilizer used; and the economic crisis which delayed the construction of refineries and held back improvements to the country's transportation infrastructure. Indonesia's palm oil production for 2001-2002 is expected to be lower than the record 7.3 Mt crop forecast for 2000-2001.

Trade

For 2001-2002, world trade in oils is forecast at 35.3 Mt, up 2% from 2000-2001.

China is expected to increase imports of vegoils to keep up with increased consumption, despite a forecast for increased domestic production. The increase in imports is contrary to the trend that developed during the past decade when China's consumption of vegoils increased by about 25% while domestic production increased by about 45%, lessening its dependence on imports.

India's new import duties will restrict the ability of palm oil producers to maintain market share in India in 2001-2002, unless palm oil remains at a significant discount to soy oil, which it has been since the mid-1990s.

Prices

For 2001-2002, world prices for all vegoils are expected to

strengthen due largely to a reduction in the S/U, which is at the lowest level in several years. The price leaders for this category are palm oil and soy oil, but rapeseed and sun oil are also influencing the market. With a forecast for lower carry-in stocks for all four major oils, demand rationing will likely be achieved with higher prices.

On that basis, *Oilworld* has forecast **palm oil** prices at US\$350/t, an increase of over 30% from 2000-2001. For 2001-2002, the USDA August estimate for **soy oil** prices is in the US\$0.165-0.195 per pound range, with the mid-point of that range showing a 27% increase over the 2000-2001 price.

Canola oil prices closely follow Chicago soy oil prices and are also expected to increase significantly. This influence is reflected in Agriculture and Agri-Food Canada's price forecast for canola for 2001-2002, which is in the range of CAN\$345-375/t, up from CAN\$285-295/t in 2000-2001.

For more information:

Stan Spak

Market Analyst

Phone: (204) 983-8467

E-mail: spaks@em.agr.ca

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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WORLD: VEGOILS* SUPPLY AND DISPOSITION

| October-September crop year | 1999 -2000 | 2000 -2001e | 2001 -2002f |
|--------------------------------|---------------------------|----------------|----------------|
| | million tonnes..... | | |
| Carry-in Stocks | 7.4 | 8.1 | 7.6 |
| Production | 85.8 | 88.2 | 90.5 |
| Imports | 31.4 | 33.9 | 34.8 |
| Total Supplies | 124.6 | 130.2 | 132.9 |
| Disappearance | 83.7 | 87.8 | 90.7 |
| Exports | 32.8 | 34.6 | 35.3 |
| Total Use | 116.5 | 122.4 | 126.0 |
| Carry-out Stocks | 8.1 | 7.6 | 6.9 |
| Stocks-to-Use Ratio (%) | 9.7 | 8.7 | 7.6 |

* includes soy oil, palm oil, sunflowerseed oil, rapeseed oil, cottonseed oil, coconut oil, peanut oil, olive oil, and palm kernel oil.

Note: The difference between imports and exports is attributed to the timing of delivery.

e: estimate, f: forecast, August 2001

Source: USDA



CANADA: GRAINS AND OILSEEDS OUTLOOK

JULY 30, 2001

Production of grains and oilseeds in Canada for 2001-02 is now forecast by AAFC at 56 million tonnes (Mt) compared to 62 Mt in 2000-01. Crop conditions across much of Saskatchewan and southern Alberta continued to deteriorate during July, due to hot dry weather. Although rainfall has been received recently in many areas, it arrived too late in many cases to reverse the damage, although it will help the crops during the filling stage. In Manitoba, moisture conditions are generally adequate to excessive, and hot weather during July has helped speed crop development, so that normal yields are expected. Crop development in Manitoba is near normal, while Alberta and Saskatchewan are ahead of normal due to the dry conditions. In Ontario, yields for corn and soybeans are expected to be near normal, but more rainfall is needed to ensure adequate moisture for crop development.

Total exports of grains and oilseeds are forecast to decline slightly, to 25 Mt. A decrease in non-durum wheat, barley, oat and canola exports will be partly offset by increased exports of durum, corn, flaxseed and soybeans. Canadian spring wheat prices are forecast to be higher than in 2000-01, while durum prices are expected to decline. Malting barley, feed barley and oat prices are forecast to be higher than in 2000-01, while corn prices are expected to be similar to 2000-01. Oilseed prices, except soybeans, are projected to increase. The major factors to watch are: growing conditions in the major importing and exporting regions, China's accession to the WTO and the Canada/US exchange rate.

WHEAT (ex-durum)

Production is forecast to fall by 15%, to only 18 Mt, the lowest since 1988-89. This will be partly offset by higher carry-in stocks, and supplies are projected to decline by 10%, to 24.5 Mt, the lowest since 1998-99. Exports are forecast to fall by 8%, to 12 Mt, the 2nd lowest since 1988-89. Feed use is expected to decline due to tight supplies. Carry-out stocks are expected to decrease significantly to 5.3 Mt. The Canadian Wheat Board (CWB) July 2001-02 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is up by \$7/t from June, at \$211/t, in-store Vancouver/ St. Lawrence, and \$26/t above 2000-01. Ontario winter wheat yields are forecast to be well above average, with good quality expected. However, production is forecast to fall by 20%, to 1.1 M, due to a smaller harvested area. The Ontario Wheat Producers' Marketing Board's Pool Price Projections for No.1 CEWW wheat are \$135-145/t, about \$30/t above 2000-01.

DURUM

Production is forecast to fall by 32%, to 3.8 Mt, the lowest since 1993-94. This will be partly offset by a 57% increase in carry-in stocks, and supplies are forecast at 6.6 Mt, slightly above the 5-year average. Exports are forecast to rise by 13%, as a result of continuing strong world demand, due to poor crops in Algeria and southern Europe. Domestic feed use is expected to return to normal levels from the high level of 2000-01, assuming normal crop quality. Carry-out stocks are projected to decline to 1.8 Mt, slightly above the 5-year average. The CWB 2001-02 PRO for No.1 CWAD 11.5% protein is \$229/t, an increase of \$15/t from last month, but \$9/t below 2000-01. An \$18/t premium over No.1 CWRS 11.5 is forecast, vs. \$53/t in 2000-01.

BARLEY

Production is forecast to decrease by 8% from 2000-01, due to lower yields, lower seeded area, and relatively high forage use.

Despite higher carry-in stocks, supplies are forecast to decrease. Feed use in eastern Canada is forecast to decrease due to increased corn production in Ontario. Feed barley and malting barley exports are expected to decline due to the lower production. Carry-out stocks are forecast to decrease, supporting off-Board feed barley prices. The CWB PRO for No.1 CW Feed Barley is \$162/t, up \$20/t from 2000-01. Prices for malting barley are forecast to increase due to tight world supplies. The CWB PRO for Special Select 2-Row Designated barley is \$214/t, vs the 2000-01 PRO of \$202/t.

OATS

Production is forecast to increase due to higher area seeded, but supplies are expected to fall as a result of lower carry-in stocks. Exports are forecast to decrease slightly due to the lower supplies. Carry-out stocks are forecast to decrease and prices are expected to increase slightly.

CORN

Production is forecast to rise sharply, due to a record area seeded and a return to normal yields in Eastern Canada. Supplies are forecast to rise as higher production more than offsets the lower carry-in stocks. Imports are expected to fall sharply, due to higher domestic supplies and improved quality. Feed use is forecast to rise slightly as a result of higher domestic corn supplies and lower supplies of feed wheat in Ontario. Despite projected higher exports, carry-out stocks are expected to increase. Prices are forecast to remain similar to 2000-01, as stronger US corn prices are expected to be offset by a weaker Chicago-Chatham basis.

CANOLA

Production is forecast to decrease by 28%, due to an 18% reduction in harvested area to the lowest level since 1996-97, combined with an expected decline in yields. Supplies are forecast to drop by 32% due to the sharp decline in carry-in stocks and production. Domestic crush is

expected to decrease due to tight supplies and low crush margins. Exports, to China in particular, are expected to decrease, due to lower supplies and higher prices. Carry-out stocks are forecast to decline to historically very tight levels. Canola prices are expected to increase due to relatively tight world supplies related to lower production in the EU, Canada, and Australia, higher premiums for canola oil relative to other vegetable oils and USDA's outlook for lower-than-expected US soybean production.

FLAXSEED (excluding solin)

Production is forecast to rise by 25% due to higher harvested area. Supplies are expected to increase by 11% despite reduced carry-in stocks. Exports to the EU are forecast to return to normal levels due to the drop in EU production. This is expected to support prices which are forecast to increase by 15%.

SOYBEANS

Production is expected to increase marginally from 2000-01, as lower seeded area is offset by higher yields. Supplies are forecast to rise slightly due to record high carry-in stocks and historically high imports for crushing. Domestic crush is expected to remain stable, while exports increase. Carry-out stocks are forecast to fall slightly. Prices are expected to remain unchanged due to stable US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains.....Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca

www.agr.gc.ca/mad-dam/

CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

JULY 30, 2001

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1999-2000 | 1,760 | 2.44 | 4,300 | 9 | 6,257 | 3,575 | 263 | 381 | 896 | 1,785 | 207 |
| 2000-2001 f | 2,614 | 2.16 | 5,647 | 12 | 7,444 | 3,450 | 265 | 719 | 1,194 | 2,800 | 238 * |
| 2001-2002 f | 2,210 | 1.72 | 3,800 | 5 | 6,605 | 3,900 | 265 | 390 | 905 | 1,800 | 229 * |
| Wheat Except Durum | | | | | | | | | | | |
| 1999-2000 | 8,606 | 2.63 | 22,600 | 6 | 28,093 | 14,737 | 2,693 | 3,870 | 7,391 | 5,964 | 168 |
| 2000-2001 f | 8,349 | 2.53 | 21,157 | 48 | 27,169 | 13,000 | 2,700 | 4,069 | 7,669 | 6,500 | 185 * |
| 2001-2002 f | 9,085 | 1.98 | 18,000 | 10 | 24,510 | 12,000 | 2,735 | 3,565 | 7,210 | 5,300 | 211 * |
| All Wheat | | | | | | | | | | | |
| 1999-2000 | 10,367 | 2.59 | 26,900 | 14 | 34,349 | 18,313 | 2,956 | 4,251 | 8,288 | 7,749 | |
| 2000-2001 f | 10,963 | 2.44 | 26,804 | 60 | 34,613 | 16,450 | 2,965 | 4,788 | 8,863 | 9,300 | |
| 2001-2002 f | 11,295 | 1.93 | 21,800 | 15 | 31,115 | 15,900 | 3,000 | 3,955 | 8,115 | 7,100 | |
| Barley | | | | | | | | | | | |
| 1999-2000 | 4,069 | 3.24 | 13,196 | 33 | 15,966 | 2,392 | 393 | 9,752 | 10,586 | 2,988 | 110 |
| 2000-2001 f | 4,551 | 2.96 | 13,468 | 50 | 16,506 | 2,550 | 360 | 10,091 | 10,906 | 3,050 | 125-130 |
| 2001-2002 f | 4,482 | 2.78 | 12,450 | 30 | 15,530 | 2,250 | 360 | 9,990 | 10,805 | 2,475 | 125-155 |
| Corn | | | | | | | | | | | |
| 1999-2000 | 1,141 | 8.03 | 9,161 | 1,023 | 11,069 | 226 | 2,020 | 7,240 | 9,291 | 1,552 | 107 |
| 2000-2001 f | 1,088 | 6.27 | 6,827 | 2,450 | 10,828 | 100 | 2,125 | 7,198 | 9,354 | 1,375 | 115-120 |
| 2001-2002 f | 1,246 | 7.57 | 9,425 | 875 | 11,675 | 600 | 2,225 | 7,343 | 9,600 | 1,475 | 105-135 |
| Oats | | | | | | | | | | | |
| 1999-2000 | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,532 | 191 | 1,768 | 2,119 | 1,082 | 128 |
| 2000-2001 f | 1,299 | 2.61 | 3,389 | 5 | 4,476 | 1,725 | 190 | 1,688 | 2,051 | 700 | 130-135 |
| 2001-2002 f | 1,401 | 2.44 | 3,425 | 4 | 4,129 | 1,625 | 210 | 1,626 | 2,004 | 500 | |
| Rye | | | | | | | | | | | |
| 1999-2000 | 169 | 2.29 | 387 | 4 | 557 | 85 | 69 | 223 | 311 | 161 | |
| 2000-2001 f | 115 | 2.27 | 260 | 5 | 426 | 90 | 75 | 140 | 236 | 100 | |
| 2001-2002 f | 98 | 2.19 | 215 | 5 | 320 | 80 | 75 | 80 | 176 | 65 | |
| Mixed Grains | | | | | | | | | | | |
| 1999-2000 | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001 f | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002 f | 142 | 2.75 | 391 | 0 | 391 | 0 | 0 | 391 | 391 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1999-2000 | 6,930 | 3.87 | 26,832 | 1,064 | 32,772 | 4,235 | 2,673 | 19,429 | 22,754 | 5,783 | |
| 2000-2001 f | 7,181 | 3.39 | 24,327 | 2,510 | 32,619 | 4,465 | 2,750 | 19,499 | 22,929 | 5,226 | |
| 2001-2002 f | 7,369 | 3.52 | 25,906 | 914 | 32,046 | 4,555 | 2,870 | 19,430 | 22,976 | 4,515 | |
| Canola | | | | | | | | | | | |
| 1999-2000 | 5,564 | 1.58 | 8,798 | 124 | 9,556 | 3,885 | 2,983 | 543 | 3,565 | 2,106 | 288 |
| 2000-2001 f | 4,816 | 1.48 | 7,119 | 250 | 9,475 | 4,700 | 3,000 | 685 | 3,725 | 1,050 | 285-295 |
| 2001-2002 f | 3,955 | 1.30 | 5,141 | 250 | 6,441 | 3,300 | 2,400 | 297 | 2,742 | 400 | 320-350 |
| Flaxseed | | | | | | | | | | | |
| 1999-2000 | 777 | 1.32 | 1,022 | 2 | 1,175 | 568 | n/a | n/a | 221 | 386 | 237 |
| 2000-2001 f | 591 | 1.17 | 693 | 10 | 1,089 | 550 | n/a | n/a | 210 | 330 | 255-265 |
| 2001-2002 f | 644 | 1.34 | 866 | 10 | 1,205 | 700 | n/a | n/a | 130 | 375 | 285-315 |
| Soybeans | | | | | | | | | | | |
| 1999-2000 | 1,004 | 2.77 | 2,781 | 455 | 3,478 | 948 | 1,712 | 493 | 2,277 | 252 | 256 |
| 2000-2001 f | 1,061 | 2.55 | 2,703 | 375 | 3,330 | 750 | 1,650 | 485 | 2,205 | 375 | 240-260 |
| 2001-2002 f | 1,027 | 2.63 | 2,705 | 300 | 3,380 | 850 | 1,650 | 460 | 2,180 | 350 | 235-265 |
| Total Oilseeds | | | | | | | | | | | |
| 1999-2000 | 7,345 | 1.72 | 12,602 | 581 | 14,208 | 5,401 | 4,695 | 1,037 | 6,063 | 2,744 | |
| 2000-2001 f | 6,468 | 1.63 | 10,515 | 635 | 13,894 | 6,000 | 4,650 | 1,170 | 6,139 | 1,755 | |
| 2001-2002 f | 5,626 | 1.55 | 8,712 | 560 | 11,027 | 4,850 | 4,050 | 757 | 5,052 | 1,125 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1999-2000 | 24,642 | 2.69 | 66,334 | 1,659 | 81,330 | 27,949 | 10,324 | 24,716 | 37,105 | 16,276 | |
| 2000-2001 f | 24,612 | 2.50 | 61,646 | 3,205 | 81,127 | 26,915 | 10,365 | 25,457 | 37,931 | 16,280 | |
| 2001-2002 f | 24,289 | 2.32 | 56,418 | 1,489 | 74,188 | 25,305 | 9,920 | 24,142 | 36,143 | 12,740 | |

(a) Aug. - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No. 1 CWRS and No. 1 CWAD (CWB final price I/S St. Lawrence/Vancouver); Barley (No. 1 Feed, WCE cash I/S, Lethbridge); Corn (No. 2 CE cash I/S, Chatham); Oats (No. 3 CW, WCE cash Track Minneapolis; contact was delisted from the WCE on May 31, 2001); Canola (No. 1 Canada, WCE cash I/S, Vancouver); Flaxseed (No. 1 CW WCE cash I/S, Thunder Bay); Soybeans (No. 2, I/S, Chatham).

* - CWB Pool Return Outlook (PRO): July 2001. Prices for No. 1 CWRS and No. 1 CWAD with 11.5% protein for 2000-01 and 2001-02. This is comparable to prices for 1999-00 and previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, July 30, 2001

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: SPECIAL CROPS OUTLOOK

JULY 30, 2001

AACFC's yield forecasts for 2001-02 for dry peas, lentils, chick peas, mustard seed and canary seed has been reduced from the July 9 report because of a continuation of below normal precipitation in most of Saskatchewan and Alberta, the dominant producing provinces. Normal yields are expected for dry beans, sunflower seed and buckwheat because they are produced mainly in regions with better moisture conditions. Most special crops are further advanced in development than in 2000-01 and the past 5-year average. Harvesting of dry peas, lentils and chick peas has started. The mustard seed, canary seed and dry bean harvests are expected to start in early, mid and late August, respectively. The buckwheat harvest usually starts in mid-September and the sunflower seed harvest in late September.

Based on Statistics Canada's June 29 survey of area seeded, production of special crops in Canada for 2001-02 is forecast at 4.65 million tonnes (Mt), about 6% lower than in 2000-01. Total supply, exports and domestic use are expected to decrease, resulting in lower carry-out stocks. Compared to 2000-01, average prices are forecast to increase for dry peas, dry beans, mustard seed, canary seed and sunflower seed, decrease for lentils and chick peas, and remain stable for buckwheat. Since crop conditions in Alberta and Saskatchewan are extremely variable, the most important factor to watch is yield reports during harvest. For dry peas, lentils, chick peas, mustard seed and canary seed, additional rainfall would not have a significant impact on yields because of the advanced stage of crop development. However, timely rain will be needed to maintain good crop conditions for dry beans, sunflower seed and buckwheat.

DRY PEAS

Production is forecast to decrease by 5% as an 18% increase in seeded area is more than offset by lower yields. Production of the yellow and green types is expected to decrease proportionately. Total supply is forecast to decrease by 12% because of lower carry-in stocks. Total world supply is expected to decrease marginally to 11.4 Mt as higher production in the EU is more than offset by lower carry-in stocks. Canadian exports are forecast to decrease because of increased production in the EU and lower Canadian supply, while domestic use remains stable. Carry-out stocks are forecast to decrease to a negligible level. The average price over all types, grades and markets is forecast to increase slightly, in line with the slightly lower world supply.

LENTILS

Production is forecast to decrease by 16%, as a 5% higher seeded area is more than offset by lower yields. Production of large, medium and small green types is forecast to decrease while production of the red type increases. Total supply is forecast to decrease by only 5% because of higher carry-in stocks. Total world supply is expected to increase by 3% to 3.6 Mt. Canadian exports are expected to be the same as 2000-01. Carry-out stocks are forecast to decrease, with a s/u ratio of 15%. The average price, over all types and grades, is forecast to decrease slightly in line with the slightly higher world supply.

DRY BEANS

Production is forecast to increase by 14%, as a 2% decrease in seeded area is more than offset by higher yields. Production of white pea and coloured beans is forecast to increase by 14% to 125,000 t and 180,000 t, respectively. Total supply is expected to increase only slightly because of lower carry-in stocks. Exports are forecast to increase and carry-out stocks are expected to remain low with a s/u ratio of 6%. US

production is expected to decrease by 18%. Total US and Canadian supply is expected to decline by 10%. Therefore, the average price, over all classes and grades, is forecast to increase by about 10%.

CHICK PEAS

Production is forecast to increase by 33% due to a 70% increase in seeded area, which is partly offset by lower yields. The largest increase in production is expected for the small kabuli type, with a smaller increase for the large kabuli type. Production of the desi type is expected to decrease. Due to drier growing conditions than in 2000-01 in the chick pea growing areas, the average quality of the crop should improve. Total Canadian supply is forecast to increase by 33% and Canadian exports are forecast to increase sharply. Carry-out stocks are forecast to increase with a s/u ratio of 11%. Total world supply is expected to rise by 10% to 7.7 Mt, which will pressure prices. Canada's share of total world supply is forecast to increase to 7.0% from 5.8% in 2000-01. The average price, over both kabuli and desi types and all sizes and grades, is forecast to decrease by about 5%, as pressure from higher world supply is partly offset in Canada by higher quality and a shift to the production of the higher priced kabuli type.

MUSTARD SEED

Production is forecast to decrease by 46% due to lower seeded area and yields. Production is expected to decrease sharply for the oriental and brown types, and decrease slightly for the yellow type. Total supply is forecast to decrease by 37%. Exports are expected to decrease because of the lower supply. Carry-out stocks are forecast to decrease to a negligible level. The average price, over all types and grades, is forecast to increase by about 25% because of the lower supply and a shift to the production of the higher priced yellow type.

CANARY SEED

Production is forecast to decrease by 24%, due to lower seeded area and lower yields. Total supply is forecast to decrease by 25%. Exports are expected to decrease because of the smaller supply. Carry-out stocks are forecast to decrease to a negligible level. Total world supply is forecast to decrease by 20% to 265,000 t, with Canada's share of world supply falling to 74% from 79% in 2000-01. The average price is forecast to rise by about 40%.

SUNFLOWER SEED

Production is forecast to decrease by 16%, due to lower seeded area and yields. Production of confectionary type is expected to decrease by 10% to 80,000 t, while production of the oil type drops by a third to 20,000 t. Total supply is forecast to decrease by 17%. Exports are expected to decrease because of the smaller supply, while domestic use remains stable. Carry-out stocks are forecast to decrease to a negligible level. Total world supply is expected to decrease by 7% to 23 Mt. US total supply of both the confectionary and oilseed types is expected to decrease. Stronger world demand is expected to support prices. Therefore, the average Canadian price over both confectionary and oilseed types is forecast to increase by about 5%.

BUCKWHEAT

Production is forecast to remain stable, as lower seeded area is offset by higher yields. Total supply and use are forecast to decrease. The average price over all grades and markets is forecast to be the same as in 2000-01, in line with stable world total supply of about 3.1 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mailskrypetz@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mail.....olesonf@em.agr.ca

CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS

JULY 30, 2001

| Grain and Crop Year (a) | Harvested | Yield | Production | Imports | Total | Exports | Total | Ending Stocks | Average |
|-----------------------------------|-----------|-------|------------|---------|--------|---------|------------------|------------------|-----------|
| | Area | | | (b) | Supply | (b) | Domestic Use (c) | | Price (d) |
| | 000 ha | t/ha | | | | | | | \$/t |
| ----- thousand metric tonnes----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,974 | 1,116 | 523 | 335 | 180 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 f | 1,220 | 2.35 | 2,864 | 10 | 3,274 | 2,100 | 1,024 | 150 | 137 |
| 2001-2002 f | 1,420 | 1.91 | 2,710 | 10 | 2,870 | 1,800 | 1,020 | 50 | 125-155 |
| Lentils | | | | | | | | | |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 523 | 349 | 109 | 65 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 f | 688 | 1.33 | 914 | 5 | 999 | 620 | 209 | 170 | 295 |
| 2001-2002 f | 710 | 1.08 | 770 | 5 | 945 | 620 | 200 | 125 | 270-300 |
| Dry Beans | | | | | | | | | |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 f | 165 | 1.62 | 268 | 30 | 338 | 255 | 63 | 20 | 470 |
| 2001-2002 f | 162 | 1.88 | 305 | 25 | 350 | 265 | 65 | 20 | 510-540 |
| Chick Peas | | | | | | | | | |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 f | 283 | 1.37 | 387 | 5 | 407 | 210 | 177 | 20 | 410 |
| 2001-2002 f | 480 | 1.07 | 515 | 5 | 540 | 300 | 185 | 55 | 375-405 |
| Mustard Seed | | | | | | | | | |
| 1997-1998 | 292 | .83 | 243 | 2 | 283 | 166 | 69 | 48 | 385 |
| 1998-1999 | 279 | .86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 f | 208 | .97 | 202 | 1 | 318 | 160 | 68 | 90 | 280 |
| 2001-2002 f | 135 | .81 | 110 | 1 | 201 | 140 | 56 | 5 | 335-365 |
| Canary Seed | | | | | | | | | |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 245 | 134 | 47 | 64 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 f | 164 | 1.04 | 171 | 0 | 261 | 165 | 31 | 65 | 265 |
| 2001-2002 f | 145 | .90 | 130 | 0 | 195 | 160 | 30 | 5 | 350-380 |
| Sunflower Seed | | | | | | | | | |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 88 | 45 | 40 | 3 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 f | 69 | 1.72 | 119 | 15 | 175 | 70 | 75 | 30 | 320 |
| 2001-2002 f | 65 | 1.54 | 100 | 15 | 145 | 65 | 75 | 5 | 325-355 |
| Buckwheat | | | | | | | | | |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 f | 15 | .93 | 14 | 1 | 16 | 9 | 7 | 0 | 305 |
| 2001-2002 f | 13 | 1.08 | 14 | 1 | 15 | 8 | 7 | 0 | 290-320 |
| Total Special Crops (e) | | | | | | | | | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 54 | 3,343 | 1,949 | 862 | 532 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,299 | 2,634 | 1,034 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 f | 2,812 | 1.76 | 4,939 | 67 | 5,788 | 3,589 | 1,654 | 545 | |
| 2001-2002 f | 3,130 | 1.49 | 4,654 | 62 | 5,261 | 3,358 | 1,638 | 265 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes food, feed, seed, waste and dockage.

(d) Producer price, FOB plant. Average over all types, grades and markets.

(e) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed, sunflower seed and buckwheat.

f: forecast, Agriculture and Agri-Food Canada, July 30, 2001

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | As of Monday August 13, 2001 | |
|-------------------|------------------|-------------|--------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|------------------------------|--|
| | | | | | | | | | | | | | | | | | | | |
| Vancouver | This week | FOB | 153.66 | N/A | 155.16 | 165.00 | | 336.50 | (7) 253.90 | 137.00 | 360.00 | (4) 825.00 | 470.00 | | | | | | |
| B.C. | Week ago | | 153.66 | N/A | 154.16 | 165.00 | | 340.00 | (7) 253.90 | 137.00 | 355.00 | (4) 825.00 | 460.00 | | | | | 430.00 | |
| Calgary | This week | FOB | 130.50 | 105.00 | 132.00 | 160.00 | | 333.50 | 179.00 | | 320.00 | (4) 875.00 | 505.00 | | | | | 430.00 | |
| Alta | Week ago | | 130.50 | 105.00 | 131.00 | 163.00 | | 337.00 | 179.00 | | 310.00 | (4) 875.00 | 485.00 | | | | | 430.00 | |
| Saskatoon | This week | FOB | 130.00 | 132.00 | 131.00 | 145.00 | | 326.00 | 252.50 | | 325.00 | (4) N/A | 505.00 | | 161.00 | | | 460.00 | |
| Sask. | Week ago | | 130.00 | 132.00 | 131.00 | 142.00 | | 329.50 | 252.50 | | 320.00 | (4) N/A | 485.00 | | 161.00 | | | 460.00 | |
| Melfort | This week | FOB | 142.00 | 160.28 | 142.50 | | | | | | | | | | | | | | |
| Sask. | Week ago | | 138.90 | 170.85 | 136.00 | | | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 104.35 | 134.41 | 137.09 | 135.00 | | 309.00 | 242.50 | | 315.00 | (4) 790.00 | 415.00 | | | | | | |
| Man. | Week ago | | 111.35 | 129.83 | 134.86 | 130.00 | | 313.00 | 242.50 | | 310.00 | (4) 790.00 | 410.00 | | | | | 420.00 | |
| Thunder Bay | This week | In-store | 137.00 | 178.26 | 149.50 | | | | | | | | | | | | | 400.00 | |
| Ont. | Week ago | | 129.90 | 188.81 | 142.00 | | | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 135.22 | | | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 127.19 | | | | | | | | | | | | | |
| Bay Ports | This week | In-store | 165.00 | 225.00 | 149.50 | | | | | | | | | | | | | | |
| Ont. | Week ago | | 155.90 | 225.00 | 142.00 | | | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 134.24 | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | 127.75 | | | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | |
| Hamilton | This week | N/A | | | | | FOB | 338.08 | N/A | | | | | | | | | | |
| Ont. | Week ago | | | | | | | 331.90 | N/A | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 125.43 | | | | | | | | | | | | | |
| Ontario | Week ago | | | | | 125.67 | | | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | | | | | | | | | | | | | |
| Que. | Week ago | | | | | | | | | | | | | | | | | | |
| Trois-Riv. | This week | In-store | 183.00 | | 187.50 | 153.14 | | 344.94 | 261.76 | 113.75 | 314.00 | (5) 795.00 | 336.00 | | | | | 450.00 | |
| Que. | Week ago | | 175.90 | | 180.00 | 147.83 | | 341.45 | 260.26 | 116.75 | 314.00 | (5) 795.00 | 336.00 | | | | | 440.00 | |
| St-Jean Que. | This week | FOB | 144.50 | 120.00 | 139.75 | (2) 137.79 | | | | | | | | | | | | | |
| St-Hyacinthe,Que. | Week ago | | 140.95 | 125.00 | 136.00 | (2) 134.44 | | | | | | | | | | | | | |
| Quebec | This week | In-store | 180.17 | | 183.33 | 153.67 | FOB | 341.64 | | | | | | | | | | | |
| Que. | Week ago | | 173.07 | | 175.83 | 147.83 | | 337.78 | | | | | | | | | | | |
| Truro | This week | Track | 203.97 | 191.86 | 204.82 | 183.40 | FOB | 371.42 | 283.89 | | | | | | | | | 450.00 | |
| N.S. | Week ago | | 200.07 | 191.86 | 201.77 | 180.35 | | 368.00 | 284.76 | | | | | | | | | 440.00 | |
| Truro | This week | Water | N/A | N/A | N/A | 179.50 | | | | | | | | | | | | | |
| N.S. | Week ago | & Truck | N/A | N/A | N/A | 177.85 | | | | | | | | | | | | | |
| Halifax | This week | In-store | N/A | N/A | N/A | 170.50 | FOB | | | | | | | | | | | | |
| N.S. | Week ago | | N/A | N/A | N/A | 168.85 | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5386 as of August 13, 2001
Thunder Bay prices are based on the Winnipeg Commodities Exchange market close
 Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal 60% Protein. Animal fat may contain varied % of restaurant grease.

(1) Wheat: 3CWR5 (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast (63% Protein) (5) Fish Meal (60% Protein) (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday August 13, 2001

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|----------------------|--------------------------|--------|-----------|----------|----|-----------|----------|
| From: Thunder Bay 2 | In-Store | WHEAT | 137.00 | 129.90 | | 140.00 | 132.50 |
| | | OATS | 178.26 | 188.81 | | 144.86 | N/A |
| | | BARLEY | 149.50 | 142.00 | | 155.00 | 105.20 |
| To: Bayports, Ont. | In-store | WHEAT | 160.10 | 153.00 | 1. | 163.10 | 155.60 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 176.65 | 169.15 | 1. | 182.15 | 132.35 |
| Montreal, Que. | In-store | WHEAT | 164.85 | 157.75 | 1. | 167.85 | 160.35 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 181.77 | 174.27 | 1. | 187.27 | 137.47 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 187.32 | 180.22 | | 190.32 | 182.82 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 208.13 | 200.63 | | 213.63 | 163.83 |
| Truro, N.S. | Truck via Halifax | WHEAT | 184.82 | 177.72 | | 187.82 | 180.32 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 203.25 | 195.75 | | 208.75 | 158.95 |
| Halifax, N.S. | In-store | WHEAT | 172.15 | 165.05 | 1. | 175.15 | 167.65 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 189.57 | 182.07 | 1. | 195.07 | 145.27 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 231.93 | 224.83 | | 234.93 | 227.43 |
| | | OATS | 284.46 | 295.01 | | 251.06 | N/A |
| | | BARLEY | 256.64 | 249.14 | | 262.14 | 212.34 |
| From: Melfort, Sask. | FOB | WHEAT | 142.00 | 138.90 | | 155.50 | 118.50 |
| | | OATS | 160.28 | 170.85 | | 127.96 | 108.82 |
| | | BARLEY | 142.50 | 136.00 | | 144.70 | 100.20 |
| To: Bayports, Ont. | Track | WHEAT | 198.12 | 195.02 | | 211.62 | 174.62 |
| | | OATS | 219.15 | 229.72 | | 186.83 | 167.69 |
| | | BARLEY | 195.89 | 189.39 | | 198.09 | 153.59 |
| Montreal, Que. | Track | WHEAT | 198.87 | 195.77 | | 212.37 | 175.37 |
| | | OATS | 220.05 | 230.62 | | 187.73 | 168.59 |
| | | BARLEY | 196.71 | 190.21 | | 198.91 | 154.41 |
| Moncton, N.B. | Track | WHEAT | 220.05 | 216.95 | | 233.55 | 196.55 |
| | | OATS | 243.39 | 253.96 | | 211.07 | 191.93 |
| | | BARLEY | 208.82 | 202.32 | | 211.02 | 166.52 |
| Truro, N.S. | Track | WHEAT | 220.22 | 217.12 | | 233.72 | 196.72 |
| | | OATS | 244.36 | 254.93 | | 212.04 | 192.90 |
| | | BARLEY | 222.44 | 215.94 | | 224.64 | 180.14 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 263.56 | 260.46 | | 277.06 | 240.06 |
| | | OATS | 291.74 | 302.31 | | 259.42 | 240.28 |
| | | BARLEY | 270.73 | 264.23 | | 272.93 | 228.43 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 135.22 | 127.19 | | 135.89 | 99.16 |
| To: Montreal, Que. (US Corn) | In-store | | 154.12 | 146.09 | 1. | 154.79 | 118.06 |
| From: Saginaw (Mi) | Track | | 126.73 | 119.33 | | 126.80 | 87.48 |
| To: Montreal, Que. (US Corn) | Track | | 154.27 | 146.87 | | 154.34 | 115.02 |
| From: Chatham | Track | | 134.24 | 127.75 | | 129.62 | 104.62 |
| To: Montreal, Que. | Track | | 157.13 | 150.64 | | 152.51 | 127.51 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|----------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 338.08 | 331.90 | | 339.40 | 266.98 |
| To: Montreal, Que. | Track | | 360.55 | 354.37 | | 361.87 | 289.45 |
| Moncton, N.B. | Track | | 377.86 | 371.68 | | 379.18 | 306.76 |
| Truro, N.S. | Track | | 380.83 | 374.65 | | 382.15 | 309.73 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 430.09 | 423.91 | | 431.41 | 358.99 |

1. Prices include one month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



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JAPAN



Japan, the world's largest net agri-food importer, is Canada's second most important agri-food export market. In 2000, Canada exported \$2 billion of agri-food products to Japan, of which 75% were grains, oilseeds, and their products. Canadian agri-food exports to Japan are expected to remain strong and increase over the medium-term. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Canadian agricultural exports to Japan.

ECONOMY

The Japanese population in 2001 is estimated to be about 127 million. Total land area is just slightly smaller than all of California at 377,801 square kilometres (sq km), with the majority being mountainous and rugged. Arable area comprises only about 15% of the land, with forest and woodland accounting for about 67%. Japan maintains an overall agricultural self-sufficiency rating of about 40% and as a result, relies extensively on imports of foodstuffs. Japan is the world's largest net importer of agricultural products and one of the world's most lucrative export markets.

Japan's Gross Domestic Product (GDP) in 1999 was US\$3.7 trillion; GDP per capita was US\$30,000 and the country has a current public sector debt equal to about 130% of GDP. Manufacturing, the most important sector, accounts for about 42% of GDP, while services and agriculture account for roughly 57% and 2% respectively. Japan's highly industrialized economy is the second largest in the world and the country is the world's third largest trader exporting 12% of global trade. Because it has few natural resources,

Japan relies heavily on imports of raw materials, particularly petroleum, iron and aluminum ore to fuel the country's industries.

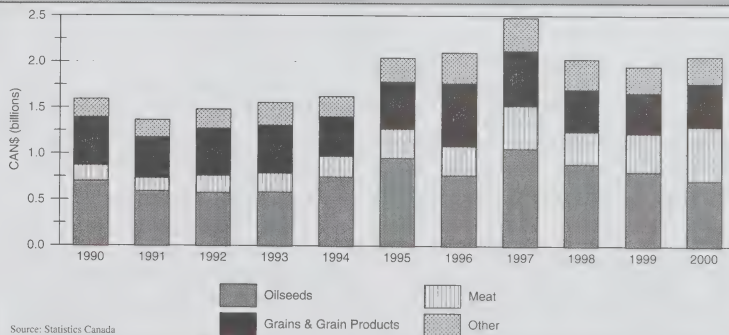
In the period from the 1960s to the 1980s, Japan achieved one of the highest growth rates in the world. In the early 1990s, Japan's economy slowed dramatically when what was described as their "bubble economy" collapsed. Real GDP in Japan grew at an average rate of roughly 1.25% yearly between 1991-1998, slower than any other major industrial nation. The Japanese economy experienced further setbacks during the recent Asian financial crisis as more than 40% of Japanese

exports are bought by Asia. Despite a decade of slow economic growth in Japan, imports have increased dramatically. The Japanese population is amongst the world's highest savers and one of the most affluent consumer markets. Imports, particularly agri-food, are expected to grow.

AGRICULTURE

Only about 15% of Japan's total land area is suitable for cultivation, an area representing only about 11% of Canada's total crop area. Japan is dominated by small farms with 70% of all farms less than 1 hectare, resulting in a labour-intensive

CANADA : AGRI-FOOD EXPORTS TO JAPAN



Canada

agricultural sector. About 12% of the population lives on farm households but only about 7% of the population is actually involved in agriculture. While per hectare crop yields are among the highest in the world, labour shortages, urban and industrial encroachment and the diversion of land to forestry have contributed to a lower cultivated area and higher domestic production costs. Cultivated area has fallen from 6.09 million hectares (Mha) in 1961 to about 4.83 Mha in 2000. While the agricultural economy still remains highly subsidized and protected, as part of the General Agreement on Tariffs and Trade (GATT) Uruguay Round, Japan has agreed to some liberalization of its agricultural markets to trade. The liberalizing effects of trade agreements and the higher costs of production have improved market access and made imports increasingly competitive. Japan's overall agricultural self-sufficiency rating has fallen on a caloric basis from about 73% in 1965 to about 41% in 2000.

Paddy rice production is the major agricultural crop, which is usually double cropped with wheat, barley, and soybeans. Rice accounts for roughly one-third of gross agriculture income and is cultivated on about 40% of farmland. Due to the diversification of Japanese eating habits and surplus rice production, area seeded has shifted from rice to fruits, vegetables, and livestock products.

AGRICULTURAL POLICY

Japanese land reform policy introduced after the Second World War, gave tenant farmers ownership over the small plots of land they farmed. The major objectives of policy makers in the 1950s and early-1960s were to raise incomes of farm households so that their living standard would keep pace with those employed in the manufacturing sector, secure adequate food supplies, increase agricultural productivity and stabilize consumer prices. Japan's large and powerful agriculture cooperatives have also been very effective in lobbying

successfully for maintenance of small farms, high support prices, and tariffs on imports.

The Basic Law on Food, Agriculture and Rural Areas within the Ministry of Agriculture, Forestry and Fisheries (MAFF) is the foundation of Japan's agriculture policy. The main agriculture objectives are to establish basic policies that secure stable food supplies, promote sustainable agriculture development, and advance the agriculture development of Rural areas.

The Japanese Food Agency (JFA) retains state trading arrangements for products including rice, wheat, barley, industrial alcohol, skim milk powder, and butter. The JFA is responsible for managing domestic supply and demand for rice, wheat and barley. Its function is to control the supply of rice, wheat and barley through a system of administered prices maintained by tariffs and import quotas. Although the bulk of staple grains are sold through agricultural cooperatives to wholesalers, the entire system is controlled by the JFA. A number of Canadian companies have recently achieved licensing rights to supply grains to their own customers.

Because rice historically has been the basis of the Japanese diet and is of religious and symbolic importance to the Japanese people, policy regarding rice is different than for wheat and barley. Direct quantitative control is applied to rice by matching supply with demand through the use of production controls such as crop diversion or area set-aside. The JFA uses two official channels in the rice distribution system. The government's marketed rice program (GMR) is the most widely used method accounting for about 50% of rice distribution. The JFA determines the price at which rice is purchased from producers and sets a price for its sale to wholesalers. The second method of distribution is the voluntary marketed rice system (VMR) introduced in 1969. Producers through their rice cooperatives are free to negotiate the purchase price with

wholesalers. Because the price is not fixed, most of the VMR is of higher quality and therefore extracts a premium over the GMR. Additional quantities of rice are also marketed voluntarily via commodity exchanges.

For wheat and barley, producers have the option to sell their product privately however, the JFA purchases virtually all of the wheat and barley produced at a fixed price. The government then sells domestically produced wheat and barley to domestic users at a fixed price, usually below its purchase price. For barley, the JFA may use competitive tenders if the grain is sold for feed.

The purchase and resale of domestically produced rice, wheat and barley at lower prices generates a substantial net deficit to the Japanese government. This is offset by profits when imported grain is sold to end users at higher levels than the purchase price. Net profits in the internal and external accounts will fluctuate according to harvested yields, size of grain imports and exchange rates.

MARKET ACCESS UNDER WORLD TRADE ORGANIZATION (WTO) AGREEMENT

Japan has been implementing the GATT Uruguay Round agreements, such as the removal of import bans and quotas and its replacement with a tariffication system. While the government has bound and reduced tariffs during the 1995-2000 period, many agriculture products still face relatively high import duties. Tariffs are applied on a most favoured nation basis.

Japan is currently preparing for further rounds of WTO negotiations by receiving opinions from agriculture producers, the food industry, consumers and non-governmental agencies. As a result of Japanese society's concerns over food self-sufficiency and food security, it is expected that Japan will resist ideas of further sector specific reductions in tariff levels. In addition, reductions in domestic

support and protection would be considered by Japanese society to be a serious impediment to the country's target self-sufficiency ratio.

On April 1, 1999, the Japanese government implemented a rice tariffication system effective in 2000, to imports outside of the Ordinary Minimum Access (OMA) rice tenders. The specific duty of 341 yen per kilogram (¥/kg) or approximately CAN\$4.50/kg, raises the price of imported rice well above domestic prices.

Total pork imports into Japan are limited by GATT rules which allow Japan to apply an automatic snap-back safeguard that increases the gate price when quarterly imports exceed 119% of the average amount imported in the same quarter over the last 3 years. In 2001, an automatic snap-back safeguard was implemented on August 1, 2001 and will be effective until March 31, 2002.

SANITARY, PHYTOSANITARY REGULATIONS, AND GENETICALLY MODIFIED ORGANISMS (GMO) LABELLING

Japan's Food Sanitation Law is undergoing its first overall revision in 23 years. The Ministry of Health, Labor and Welfare is establishing a new residue standard that will be more stringent than any other nation. Japan's phytosanitary regulations have an extremely strict zero-tolerance policy for live insects on imported produce.

Japan has approved 37 GMO commodities for consumption in Japan. Among them are several Canadian crops for export including: canola, corn, and soybeans. On April 1, 2001, the MAFF enacted a law requiring all processed foods containing GMO products to display a label indicating "GMO" ingredients. Further labelling is required for products that contain GMO raw materials. Currently there is a zero-tolerance policy for food or feed that contains any non-authorized

GMO product. Recently, the Safety Division of the Agricultural Material Council, which is an advisory board to the MAFF, proposed a tolerance level of up to one percent on non-authorized GMO products in feed. However, this proposal or some similar variation, has yet to be accepted in law.

The Japanese Agricultural Standard mark, open to importers, is a widely used voluntary mark, that informs consumers that the product adheres to government labelling and quality standards. This system serves the purpose of rendering imported products more appealing to consumers.

RICE

Rice is the most important agricultural product grown in Japan. One of the main reasons for the dominance of rice is its suitability and profitability as a crop for many of Japan's part-time, small farms. About 70% of the water used in irrigation comes from rivers and lakes. The Japanese believe that rice paddy fields play such an important part in preventing floods and erosion that this provides some justification for their high domestic support.

Rice accounts for one-third of total gross farm cash receipts and is cultivated on about 37% of total agricultural land. Japan uses land set asides as a measure to prevent accumulation of large surpluses of rice stocks. Despite government efforts to reduce production through the use of increasing set asides, production

still increased in 1999 (9.2 million tonnes (Mt)) and 2000 (9.5 Mt) due to improved yields. In 2001, in order to reduce large stocks, the MAFF will expand total set aside to an historic level of 1.01 Mha, representing about 40% of total potential rice paddy production.

Per capita consumption of rice has steadily declined during the last two decades from a high of 90 kg in 1982 to a current level of around 65 kg due to the diversification of eating patterns by Japanese consumers. The continued downward trend of traditional rice consumption is likely to further complicate government efforts to reduce large rice carry-over stocks.

Limited imports are allowed through either the Simultaneous Buy and Sell (SBS) tender or OMA tender systems. Under the GATT Uruguay Round, Japan has committed through the OMA tenders to imports amounting to 7.2% of total domestic rice consumption in fiscal year 2000. For the 2000 crop year (April-March), total Japanese imports were 0.7 Mt, an increase of about 6% over 1999 crop year levels.

JAPAN: WHEAT SUPPLY & DISPOSITION

| | 1999 -2000 | 2000 -2001e | 2001 -2002f |
|---------------------------|---------------|----------------|----------------|
|thousand tonnes..... | | | |
| Carry-in Stocks | 1,300 | 1,100 | 988 |
| Production | 583 | 688 | 700 |
| Imports: | | | |
| <i>Canada</i> | <i>1,526</i> | <i>1,491</i> | <i>1,500</i> |
| <i>United States</i> | <i>3,102</i> | <i>3,000</i> | <i>3,000</i> |
| <i>Australia</i> | <i>1,133</i> | <i>1,194</i> | <i>1,200</i> |
| <i>Other</i> | <i>199</i> | <i>215</i> | <i>100</i> |
| Total Imports | <u>5,960</u> | <u>5,900</u> | <u>5,800</u> |
| Total Supply | 7,843 | 7,688 | 7,488 |
| Food | 5,209 | 5,200 | 5,175 |
| Feed | 900 | 900 | 850 |
| Exports | <u>634</u> | <u>600</u> | <u>600</u> |
| Total Use | 6,743 | 6,700 | 6,625 |
| Carry-out Stocks | 1,100 | 988 | 863 |

e: estimate

f: forecast, AAFC, September 2001

Source: USDA

WHEAT

Domestic wheat is produced in upland fields and as a second crop in paddy fields during winter. Domestic wheat is used primarily for making Japanese noodles as it is generally of lower quality than imported varieties. Due to the efforts of the MAFF to divert seeded area from rice to crops such as wheat, area seeded and production of wheat has increased over the past four years. Production in 2000 is estimated to be 0.69 Mt, supplying only about 10% of domestic needs. Annual consumption of wheat has been relatively flat and is forecast to remain stable in coming years.

Total wheat imports for the 2000 crop year dropped 4.9% to 5.7 Mt due to a weaker yen and a stagnant domestic economy. The MAFF expects the downward trend to continue for the next several years, however, Japan will remain one of the world's largest importers of wheat.

Canadian exports of wheat to Japan have varied between 1.2 Mt and 1.4 Mt (August-July) over the last several years. Japan is a premium market for Canadian wheat, as over 90% is high-protein No.1 Canada Western Red Spring (CWRS) and almost all durum is No.2 Canada Western Amber Durum (CWAD). Japan imported almost 0.2 Mt of durum in 1990-2000 and virtually all Japan's durum needs are supplied by Canada. For bread flour and Chinese noodle production, Japan imports Australian Prime Hard and Soft White; United States (U.S.) Hard Red Spring, Winter, and Soft White; and CWRS wheat.

Japan also produces and exports wheat flour. Flour millers are allowed to import wheat outside the JFA as long as they export an equivalent amount of wheat flour. Millers take advantage of this since it gives them an opportunity to import at world prices which are less than half the agency resale prices and provides them with an export market for their lower quality flour. In the 2000 crop year, Japan exported over 0.4 Mt of flour, of which about 74% was destined for Hong Kong.

The JFA controls the purchasing and pricing of both domestic and imported wheats. In May 1998, the JFA announced a new wheat policy to be implemented between crop years 2000 and 2002. Some of the changes include: a shift from the JFA's exclusive purchase of domestic wheat to purchases by the private sector; introduction of a new compensation program for domestic wheat farmers; introduction of the SBS tender system for imported wheat and barley for feed use; and improving the quality of domestic wheat to compete with foreign wheat.

COARSE GRAINS

In 2000, Japan's production of barley was 0.2 Mt, equivalent to about 12% of consumption. Roughly 80-90% of total domestic consumption of barley is used for compound and mixed feed for the beef and dairy sectors. A small proportion of barley is used for malt. Japan is among the top five barley importing nations, with annual crop year imports averaging 1.6 Mt over the last 3 years. Canada, Australia, and the U.S. are historically the three major suppliers of barley to Japan. In the 2000 crop year, Canada supplied Japan with 24% of their import needs.

Japan has a limited malting industry and thus imports significantly more malt than malting barley. Canada exports about 40% of its barley malt to Japan, its most important export destination. For 1999-2000, Canada exported about 182,000 tonnes (t) of malt (barley equivalent), 40,000 t of malting barley, 22,000 t of rye, and 1,300 tonnes of oats to Japan. Japan is also the world's largest importer of corn, importing about 16.0 Mt per year. U.S. exports dominate this market accounting for 96% of total Japanese import needs.

OILSEEDS AND PRODUCTS

The two primary edible oils in Japan are soyoil and rapeoil, which are mainly consumed as blended oil, while soybeans and peanuts are the two major oilseeds produced in Japan. Soybean production accounts for about 90% of total seeded area. Despite increased production of soybeans as a result of the rice diversion program, Japanese production supplies only about 4% of domestic needs.

The U.S. is the dominant supplier of soybeans to Japan. However as a reaction to mandatory GMO labelling implemented by Japan on April 1, 2001, many food manufactures have shifted some of their imports to non-GMO soybeans supplied from Canada and Brazil. In 1997-1998 (August-July), Canadian exports to Japan were about 54,000 t. By 1999-2000, exports had reached almost 179,000 t.

Oilseeds are Canada's largest agri-food export to Japan. Japan is the major market for Canadian canola. Japan's canola imports have averaged 2.0 Mt between 1993-1994 to 1999-2000. Canada is the dominant supplier of canola to Japan, however in recent years Australia has made some inroads into the Japanese market. In 1999-2000, Canadian exports of canola were 1.8 Mt and represented about 81% of market share versus about 0.4 Mt (18%) supplied by Australia. Canada continues to supply

JAPAN: OILSEED IMPORTS

| | 1996 | 1997 | 1998 | 1999 | 2000f |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
|thousand tonnes..... | | | | | |
| Canada | 1,715 | 1,893 | 1,875 | 2,026 | 2,056 |
| United States | 3,666 | 3,905 | 3,738 | 3,870 | 3,928 |
| Brazil | 524 | 559 | 524 | 585 | 533 |
| Other | 1,634 | 1,087 | 1,330 | 1,103 | 1,180 |
| Total | 7,539 | 7,444 | 7,467 | 7,584 | 7,697 |

f: forecast, AAFC, August 2001

Source: Oil World Annual 2000

Under the new enacted SBS tender system introduced for barley, 0.7 Mt of feed barley is expected to be contracted in the 2001 crop year.

Japan with a high percentage of its linseed (flaxseed) import requirement. In 1999-2000, Canada supplied Japan with about 39,000 t of flaxseed.

Japan has a large excess oilseed crush capacity and therefore imports very little soybean and canola oil. The number of crushers in Japan has been declining gradually and as a result over-capacity is also declining. Japan protects its crushing industry through high tariffs on vegoil imports excluding tropical oils such as palm oil. In contrast, there are no tariffs on imports of oilseeds and protein meal. The duty on both soybean and canola oil is currently at 10,900 yen per tonne (¥/t) or about CAN\$143/t.

BEEF

The domestic beef market is protected by a Deficiency Payment Scheme for Feeder Cattle and the Prefectural Feeder Calve

Producer Fund. Both are designed to provide support to feeder calf producers when quarterly auction prices fall below a minimum floor price set by MAFF. Various livestock farm management support measures that provide low interest debt financing, cost subsidization, and marketing and promotion costs, are also used. Japan is committed to maintaining their agriculture support payments even after the next round of WTO negotiations because it views the programs as necessary to sustain domestic beef supplies.

In 1995, due to subsidization, technical support and import trade barriers, Japan was 72% self-sufficient in beef. By 1999, Japan's self-sufficiency rating had fallen to 36%, with imports accounting for more than 60% of consumption. Japan's rising imports are both the result of rising per capita beef consumption and a gradual decline in domestic production.

Japanese livestock producers, like other farm sectors, face serious aging and successor problems and increasing costs associated with pollution control. Imports to Japan began to rapidly increase after 1991 when the beef quota system was replaced with a tariffication system. Between 1995 and 2000, imports were further aided when the ad-valorem duty on beef was reduced from 50% to 38.5%. In 2000, the U.S. and Australia combined are estimated to account for 94% of all Japanese import requirements. Canadian exports of fresh and frozen beef to Japan in 2000 were 34,000 t.

PORK

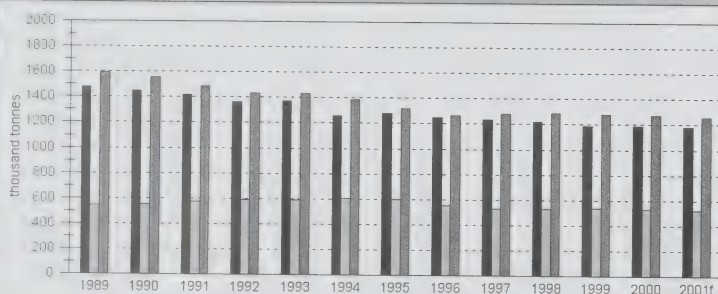
Pork production in Japan has decreased from a high of about 1.6 Mt in 1989 to about 1.3 Mt forecast for 2001. Consumption of pork, however, has been increasing, and is expected to reach about 2.2 Mt in 2001 or about 17 kg per capita. Since about 1990 pork imports have comprised a larger percentage of consumption within the Japanese market. In 2000, pork imports are forecast to reach 955,000 t, representing about 43% of total consumption and making Japan the world's largest importer of pork. Major suppliers include Denmark, the U.S., and Canada.

Japan is Canada's second largest export market for frozen pork after the U.S. Exports of pork and products reached about \$247 million in 2000.

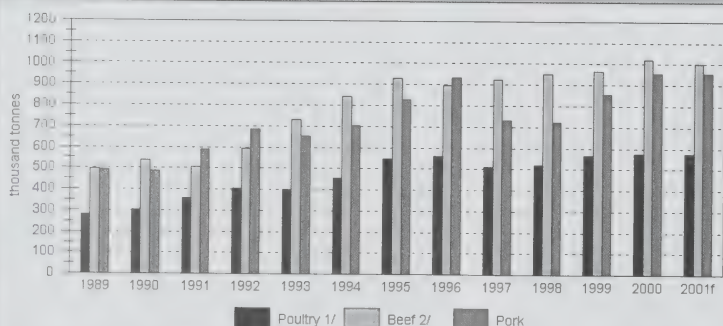
POULTRY

Japan is about 65% self-sufficient in poultry production. The remaining portion of this market consists of imports from China, Thailand, Brazil, and the U.S. In 2000, total broiler meat imports are estimated at 575,000 t. Consumption of broiler meat in Japan is expected to remain flat, therefore imports are not expected to increase substantially. However imports of prepared chicken products are expected to increase, reflecting strong restaurant and

JAPAN: LIVESTOCK AND POULTRY PRODUCTION



JAPAN: LIVESTOCK AND POULTRY IMPORTS



1/ Broiler plus other poultry meat
2/ Carcass weight equivalent

f forecast, USDA, August 2001
Source: USDA

convenience store demand. China and Thailand are expected to benefit the most from this, as Japan has invested heavily in joint ventures within these two countries. In 2000, Canada exported \$13.3 million worth of poultry and poultry products to Japan.

OUTLOOK

Japan is expected to continue to be a strong agri-food market for Canadian exports. In 1999, Canadian agri-food exports were valued at \$1.95 billion. Canadian export volumes have shown impressive increases, however due to the magnitude of Japan's import growth, total market share has remained steady at roughly 5.1%. Despite governmental efforts to increase the Japanese self-sufficiency ratio from 41% to 45% by 2010, domestic production is expected to continue to decline due to labour shortages, and increasing costs. The demographic shift from rural to urban areas and the change in dietary eating habits have also contributed to the rapid increase in imports.

Japan's foreign investment in other nations' food industries has resulted in substantial growth in their share during the 1990s. For example, China and Indonesia have doubled their market share of the Japanese market over the past decade, and Taiwan's share has increased from 0.5% to more than 4.5%. As Japan's import requirement continues to grow, Canada with its reputation as a reliable supplier of clean, safe, agri-food products, is well positioned to supply the increasing needs of Japanese consumers. Canadian food companies compete daily with the U.S. and Australia with great success.

Wheat and Barley

Japanese demand for high-quality imported wheat is expected to remain strong. Japanese wheat consumption has gradually increased over the past few years due to a shift from rice to wheat based products. However, due to low consumer confidence in the Japanese

economy, consumption of wheat in 2000 is expected to be flat. Canada's excellent quality control should place the country in a strong position to maintain or increase its market share.

Japan and the Canadian Wheat Board (CWB) have annual supply agreements for a designated volume of wheat and barley. For calendar year 2001, the agreement is for a minimum of 1.2 Mt of wheat and a target of 160,000 t of barley.

Japan will continue to be a priority market for Canadian grains. Canadian wheat exports are expected to remain relatively stable at about 1.5 Mt over the medium-term. Canadian exports of barley will be limited by the CWB's ability to secure adequate supplies of feed barley.

Japan is expected to remain the major market for Canadian barley malt and buckwheat.

Oilseeds

Japan is expected to return to its traditional position as Canada's largest export market for canola. However, due to lower stocks forecast in 2001-2002, Canadian exports are expected to decline slightly to 1.8 Mt.

The short-term forecast for protein meal imports is expected to increase due to the government's ban of meat and bone meal. However, over the medium-term, total protein meal imports are forecast to decline due to projected lower livestock numbers.

Livestock

Japanese livestock numbers are expected to decrease over the medium-term due to environmental concerns and competition from cheaper imports. Beef production has been stable over the last five years but is projected to decline slightly over the medium-term. The demand for beef, however, is expected to increase due to income growth and more expensive and diverse dietary habits. As a result, Japanese beef imports are forecast by

Agriculture and Agri-Food Canada to increase from about 0.9 Mt in 1996-1997 to about 1.1 Mt over the next five years.

Japanese pork production is expected to decline from about 1.27 Mt in 2000 to about 1.26 Mt in 2001. However, total pork consumption in 2001, is expected to increase slightly to about 2.16 Mt. Short-term imports are expected to decline slightly as government surplus pork supplies are expected to pressure imports. Canadian exports of chilled pork over the next five years are expected to increase due to its price competitiveness over domestic production. Japan's ban of Korean and Taiwanese pork as a result of non-Foot and Mouth Disease free-status is also expected to aid the Japanese preference for Canadian pork.

For more information:

Sergio Novelli

Market Analyst

Phone: (204) 983-6865

Email: novellis@em.agr.ca

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500-303 Main Street
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Telephone: (204) 983-8473
Fax: (204) 983-5524**

**Director: Maggie Liu
Chief: Fred Oleson**

Editor: Gordon MacMichael

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CANADA: SPECIAL CROPS OUTLOOK

SEPTEMBER 18, 2001

This report incorporates July 31, 2001 Statistics Canada stock estimates for dry peas, lentils, mustard seed, canary seed and sunflower seed. Stock levels decreased significantly from July 31, 2000. Production of special crops in Canada for 2001-02 is forecast to decrease by 15% to 4.19 million tonnes (Mt), based on Statistics Canada's July 31 production estimate for dry peas and AAFC's forecast for other special crops. Lower yields and higher abandonment rates for most special crops, because of the drought in most of Saskatchewan and Alberta, and insufficient moisture in Ontario, more than offset the increase in seeded area. The special crops harvest is further advanced than in 2000-01 and the past 5-year average. Harvest completion is as follows: dry peas 95%, lentils 95%, dry beans 25%, chick peas 45%, mustard seed 90% and canary seed 50%. The buckwheat harvest has started and the sunflower seed harvest is expected to start in late September. The quality of the special crops harvested is generally good, although there are reports of bleaching in some green peas and smaller than normal size for some lentils, dry beans and chick peas.

Despite projected lower exports and domestic use, carry-out stocks are forecasts to fall sharply due to lower supplies. Compared to 2000-01, average prices are forecast to increase for dry peas, lentils, dry beans, mustard seed, canary seed and sunflower seed, decrease for chick peas, and remain stable for buckwheat. The main factor to watch is the level of production in other exporting and importing countries. Frost is not expected to be a problem because of the advanced stage of harvest and crop development.

DRY PEAS

For 2000-01, exports and domestic use increased. Carry-out stocks decreased to a low level, with a stocks-to-use ratio of 6%. For 2001-02, production is estimated to decrease by 16%, as the higher harvested area is more than offset by lower yields. Production of the yellow and green types is expected to decrease proportionately. Total supply is forecast to decrease by 20%. Total world supply is expected to decrease by 3% to 11.1 Mt, as higher production in the EU is more than offset by lower production in Canada and lower carry-in stocks. Canadian exports and domestic use are forecast to decrease because of lower supply. Carry-out stocks are forecast to decrease to a negligible level. The average price over all types, grades and markets is forecast to increase by about 15%, in line with the lower world supply.

LENTILS

For 2000-01, exports and domestic use increased. Carry-out stocks increased, with a stocks-to-use ratio of 26%. For 2001-02, production is forecast to decrease by 28%, as the higher harvested area is more than offset by lower yields. Production of large, medium and small green types is forecast to decrease, while production of the red type is expected to be similar to 2000-01. Total supply is forecast to decrease by only 13% because of higher carry-in stocks. Total world supply is expected to remain stable at 3.5 Mt. Canadian exports are expected to be the same as in 2000-01. Carry-out stocks are forecast to decrease, with a s/u ratio of 13%. The average price, over all types and grades, is forecast to increase slightly because of higher prices for the large green type.

DRY BEANS

For 2000-01, exports decreased slightly, while domestic use increased slightly. Carry-out stocks decreased, with a stocks-to-use ratio of 9%. For 2001-02, production is forecast to be similar to 2000-01, as a slightly lower harvested area is offset by higher yields. Production of white pea and coloured beans is forecast to be similar to 2000-00, at about 110,000 t and 160,000 t, respectively. Total supply is expected to decrease by 6% because of lower carry-in stocks and imports. Exports and domestic use are forecast to be similar to 2000-01 and carry-

out stocks are expected to decrease to a negligible level. US production is expected to decrease by about 20%. Total US and Canadian supply is expected to decline by nearly 25%. Therefore, the average price, over all classes and grades, is forecast to increase by about 20%.

CHICK PEAS

For 2000-01, exports and domestic use increased substantially. Carry-out stocks increased, with a stocks-to-use ratio of 5%. For 2001-02, production is forecast to increase by 32%, as a larger harvested area more than offsets lower yields. The largest increase in production is expected for the small kabuli type, with a smaller increase for the large kabuli type. Production of the desi type is expected to decrease. Total supply is forecast to increase by 32% and exports are forecast to increase sharply. Carry-out stocks are forecast to increase with a s/u ratio of 10%. Total world supply is expected to rise by 10% to 7.7 Mt. Canada's share of total world supply is forecast to increase to 7.0% from 5.8% in 2000-01. The average price, over both kabuli and desi types and all sizes and grades, is forecast to decrease by about 5%, as pressure from higher world supply is partly offset in Canada by higher quality and a shift to the production of the higher priced kabuli type.

MUSTARD SEED

For 2000-01, exports and domestic use decreased slightly. Carry-out stocks decreased, with a stocks-to-use ratio of 45%. For 2001-02, production is forecast to decrease by 46% due to lower harvested area and yields. Production is expected to decrease sharply for the oriental and brown types, and remain stable for the yellow type. Total supply is forecast to decrease by 34%. Exports are expected to decrease because of the lower supply. Carry-out stocks are forecast to decrease to a negligible level. The average price, over all types and grades, is forecast to increase by about 30% because of the lower supply and a shift to the production of the higher priced yellow type.

CANARY SEED

For 2000-01, exports and domestic use increased slightly. Carry-out stocks decreased, with a stocks-to-use ratio of 37%.

For 2001-02, production is forecast to decrease by 27%, due to lower harvested area and yields. Total supply is forecast to decrease by 25%. Exports are expected to decrease because of the smaller supply. Carry-out stocks are forecast to decrease to a negligible level. Total world supply is forecast to decrease by 21% to 260,000 t, with Canada's share of world supply falling to 73% from 79% in 2000-01. The average price is forecast to rise by about 55%.

SUNFLOWER SEED

For 2000-01, exports and domestic use increased. Carry-out stocks decreased, with a stocks-to-use ratio of 21%. For 2001-02, production is forecast to decrease by 12%, due to lower harvested area and yields. Production of confectionary type is expected to decrease by 10% to 80,000 t, while production of the oil type drops by 17% to 25,000 t. Total supply is forecast to decrease by 15%. Exports and domestic use are expected to remain stable. Carry-out stocks are forecast to decrease to a negligible level. Total world supply is expected to decrease by 4% to 23.7 Mt. US total supply of both the confectionary and oilseed types is expected to decrease. Stronger world demand is expected to support prices. Therefore, the average Canadian price over both confectionary and oilseed types is forecast to increase by about 5%.

BUCKWHEAT

For 2000-01, exports increased. Carry-out stocks were at a negligible level. For 2001-02, production is forecast to remain stable, as lower harvested area is offset by higher yields. Total supply and use are forecast to decrease. The average price over all grades and markets is forecast to be the same as in 2000-01, in line with stable world total supply of about 3.1 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mailskrypetzs@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mail.....olesonf@em.agr.ca
www.agr.gc.ca/mad-dam/
L:\MAD\OUTLOOKS&D\SpCrops\2001\Sept2001sce.wpd

CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS

SEPTEMBER 18, 2001

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production ----- thousand metric tonnes | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Ending Stocks | Average Price (e) \$/t |
|--------------------------------|-----------------------------|---------------|---|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| Dry Peas | | | | | | | | | |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,974 | 1,116 | 523 | 335 | 180 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 E | 1,220 | 2.35 | 2,864 | 10 | 3,274 | 2,100 | 979 | 195 | 137 |
| 2001-2002 F | 1,408 | 1.70 | 2,398 | 10 | 2,603 | 1,600 | 953 | 50 | 140-170 |
| Lentils | | | | | | | | | |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 523 | 349 | 109 | 65 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 E | 688 | 1.33 | 914 | 5 | 999 | 580 | 213 | 206 | 295 |
| 2001-2002 F | 700 | 0.94 | 660 | 5 | 871 | 580 | 191 | 100 | 290-320 |
| Dry Beans | | | | | | | | | |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 E | 165 | 1.62 | 268 | 40 | 348 | 255 | 63 | 30 | 470 |
| 2001-2002 F | 162 | 1.67 | 270 | 25 | 325 | 255 | 65 | 5 | 550-580 |
| Chick Peas | | | | | | | | | |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 E | 283 | 1.37 | 387 | 5 | 407 | 210 | 177 | 20 | 410 |
| 2001-2002 F | 480 | 1.06 | 510 | 5 | 535 | 300 | 185 | 50 | 375-405 |
| Mustard Seed | | | | | | | | | |
| 1997-1998 | 292 | 0.83 | 243 | 2 | 283 | 166 | 69 | 48 | 385 |
| 1998-1999 | 279 | 0.86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 E | 208 | 0.97 | 202 | 1 | 318 | 155 | 63 | 100 | 280 |
| 2001-2002 F | 133 | 0.83 | 110 | 1 | 211 | 150 | 56 | 5 | 345-375 |
| Canary Seed | | | | | | | | | |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 245 | 134 | 47 | 64 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 E | 164 | 1.04 | 171 | 0 | 261 | 165 | 26 | 70 | 265 |
| 2001-2002 F | 142 | 0.88 | 125 | 0 | 195 | 160 | 30 | 5 | 400-430 |
| Sunflower Seed | | | | | | | | | |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 88 | 45 | 40 | 3 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 E | 69 | 1.72 | 119 | 16 | 176 | 70 | 75 | 31 | 320 |
| 2001-2002 F | 65 | 1.62 | 105 | 15 | 151 | 70 | 76 | 5 | 325-355 |
| Buckwheat | | | | | | | | | |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 E | 15 | 0.93 | 14 | 1 | 16 | 9 | 7 | 0 | 305 |
| 2001-2002 F | 13 | 1.08 | 14 | 1 | 15 | 8 | 7 | 0 | 290-320 |
| Total Special Crops (c) | | | | | | | | | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 54 | 3,343 | 1,949 | 862 | 532 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,299 | 2,634 | 1,034 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 E | 2,812 | 1.76 | 4,939 | 78 | 5,799 | 3,544 | 1,603 | 652 | |
| 2001-2002 F | 3,103 | 1.35 | 4,192 | 62 | 4,906 | 3,123 | 1,563 | 220 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed, sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

E: estimate F: forecast, Agriculture and Agri-Food Canada, September 18, 2001

Source: Statistics Canada and industry consultations.

CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

SEPTEMBER 18, 2001

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1999-2000 | 1,760 | 2.44 | 4,300 | 9 | 6,247 | 3,575 | 263 | 381 | 896 | 1,775 | 207 |
| 2000-2001 | 2,614 | 2.16 | 5,647 | 10 | 7,432 | 3,486 | 268 | 592 | 1,074 | 2,873 | 238 * |
| 2001-2002 F | 2,050 | 1.50 | 3,071 | 5 | 5,949 | 3,900 | 275 | 395 | 949 | 1,100 | 242 ** |
| Wheat Except Durum | | | | | | | | | | | |
| 1999-2000 | 8,606 | 2.63 | 22,600 | 6 | 28,093 | 14,737 | 2,698 | 3,865 | 7,391 | 5,964 | 168 |
| 2000-2001 | 8,349 | 2.53 | 21,157 | 50 | 27,171 | 13,312 | 2,810 | 3,816 | 7,524 | 6,335 | 185 * |
| 2001-2002 F | 8,928 | 2.06 | 18,383 | 50 | 24,768 | 12,200 | 2,800 | 3,560 | 7,268 | 5,300 | 207 ** |
| All Wheat | | | | | | | | | | | |
| 1999-2000 | 10,367 | 2.59 | 26,900 | 14 | 34,339 | 18,313 | 2,961 | 4,246 | 8,288 | 7,739 | |
| 2000-2001 | 10,963 | 2.44 | 26,804 | 60 | 34,603 | 16,797 | 3,078 | 4,408 | 8,598 | 9,208 | |
| 2001-2002 F | 10,978 | 1.95 | 21,454 | 55 | 30,717 | 16,100 | 3,075 | 3,955 | 8,217 | 6,400 | |
| Barley | | | | | | | | | | | |
| 1999-2000 | 4,069 | 3.24 | 13,196 | 33 | 15,966 | 2,392 | 393 | 9,902 | 10,736 | 2,838 | 110 |
| 2000-2001 | 4,551 | 2.96 | 13,468 | 38 | 16,344 | 2,603 | 383 | 10,467 | 11,287 | 2,454 | 129 |
| 2001-2002 F | 4,372 | 2.65 | 11,602 | 30 | 14,086 | 1,700 | 385 | 9,546 | 10,386 | 2,000 | 140-170 |
| Corn | | | | | | | | | | | |
| 1999-2000 | 1,141 | 8.03 | 9,161 | 1,023 | 11,069 | 226 | 2,020 | 7,240 | 9,291 | 1,552 | 107 |
| 2000-2001 E | 1,088 | 6.27 | 6,827 | 2,700 | 11,078 | 100 | 2,125 | 7,298 | 9,454 | 1,525 | 120 |
| 2001-2002 F | 1,246 | 6.74 | 8,400 | 1,900 | 11,825 | 300 | 2,225 | 7,918 | 10,175 | 1,350 | 125-155 |
| Oats | | | | | | | | | | | |
| 1999-2000 | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,578 | 191 | 1,683 | 2,034 | 1,122 | 128 |
| 2000-2001 | 1,299 | 2.61 | 3,389 | 8 | 4,519 | 1,750 | 120 | 1,634 | 1,929 | 840 | 132 |
| 2001-2002 F | 1,342 | 2.27 | 3,049 | 4 | 3,893 | 1,575 | 150 | 1,500 | 1,818 | 500 | |
| Rye | | | | | | | | | | | |
| 1999-2000 | 169 | 2.29 | 387 | 4 | 557 | 85 | 69 | 223 | 311 | 161 | |
| 2000-2001 | 115 | 2.27 | 260 | 5 | 426 | 89 | 66 | 165 | 249 | 88 | |
| 2001-2002 F | 101 | 2.05 | 207 | 5 | 300 | 80 | 69 | 65 | 155 | 65 | |
| Mixed Grains | | | | | | | | | | | |
| 1999-2000 | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001 | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002 F | 146 | 2.76 | 404 | 0 | 404 | 0 | 0 | 404 | 404 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1999-2000 | 6,930 | 3.87 | 26,832 | 1,064 | 32,772 | 4,281 | 2,673 | 19,494 | 22,819 | 5,673 | |
| 2000-2001 E | 7,181 | 3.39 | 24,327 | 2,751 | 32,750 | 4,543 | 2,694 | 19,945 | 23,301 | 4,907 | |
| 2001-2002 F | 7,207 | 3.28 | 23,662 | 1,939 | 30,507 | 3,655 | 2,829 | 19,433 | 22,938 | 3,914 | |
| Canola | | | | | | | | | | | |
| 1999-2000 | 5,564 | 1.58 | 8,798 | 124 | 9,556 | 3,885 | 2,983 | 543 | 3,565 | 2,106 | 288 |
| 2000-2001 | 4,816 | 1.48 | 7,119 | 224 | 9,449 | 4,863 | 3,013 | 537 | 3,582 | 1,054 | 291 |
| 2001-2002 F | 3,888 | 1.30 | 5,071 | 250 | 6,375 | 3,200 | 2,400 | 330 | 2,775 | 400 | 345-375 |
| Flaxseed | | | | | | | | | | | |
| 1999-2000 | 777 | 1.32 | 1,022 | 2 | 1,175 | 568 | n/a | n/a | 221 | 386 | 237 |
| 2000-2001 | 591 | 1.17 | 693 | 11 | 1,090 | 612 | n/a | n/a | 205 | 273 | 261 |
| 2001-2002 F | 652 | 1.14 | 746 | 10 | 1,029 | 700 | n/a | n/a | 129 | 200 | 290-320 |
| Soybeans | | | | | | | | | | | |
| 1999-2000 | 1,004 | 2.77 | 2,781 | 455 | 3,478 | 948 | 1,712 | 493 | 2,277 | 252 | 256 |
| 2000-2001 E | 1,061 | 2.55 | 2,703 | 425 | 3,380 | 750 | 1,697 | 483 | 2,250 | 380 | 256 |
| 2001-2002 F | 1,027 | 2.26 | 2,325 | 400 | 3,105 | 700 | 1,650 | 435 | 2,155 | 250 | 255-285 |
| Total Oilseeds | | | | | | | | | | | |
| 1999-2000 | 7,345 | 1.72 | 12,602 | 581 | 14,208 | 5,401 | 4,695 | 1,037 | 6,063 | 2,744 | |
| 2000-2001 E | 6,468 | 1.63 | 10,515 | 660 | 13,919 | 6,225 | 4,710 | 1,020 | 6,037 | 1,707 | |
| 2001-2002 F | 5,566 | 1.46 | 8,141 | 660 | 10,508 | 4,600 | 4,050 | 764 | 5,058 | 850 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1999-2000 | 24,642 | 2.69 | 66,334 | 1,659 | 81,320 | 27,994 | 10,329 | 24,776 | 37,170 | 16,156 | |
| 2000-2001 E | 24,612 | 2.50 | 61,646 | 3,470 | 81,272 | 27,565 | 10,483 | 25,373 | 37,935 | 15,822 | |
| 2001-2002 F | 23,751 | 2.24 | 53,256 | 2,654 | 71,732 | 24,355 | 9,954 | 24,152 | 36,212 | 11,164 | |

(a) Aug.-July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver);

Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (No. 3 CW, WCE cash Track Minneapolis - contact was delisted from the WCE on May 31, 2001); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB Pool Return Outlook (PRO): July 2001. ** CWB PRO: August 2001. Prices for No.1 CWRS and No.1 CWAD with 11.5% protein for 2000-01 and 2001-02. This is comparable to prices for 1999-00 and previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

E: estimate F: forecast, Agriculture and Agri-Food Canada, September 18, 2001

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: GRAINS AND OILSEEDS OUTLOOK

SEPTEMBER 18, 2001

Supply and disposition data for the 2000-01 crop year are now complete, except for corn and soybeans, following the release of Statistics Canada's (STC) report on Stocks of Canadian Grain at July 31, 2001. Carry-out stocks of wheat and durum are higher than for 1999-00, but down for barley, oats, rye, canola, and flaxseed. Estimates of the ending stocks as of August 31 for 2000-01 for corn and soybeans will be released by STC on Oct. 5.

In western Canada, 2001-02 production is forecast to decrease by 20%, while in eastern Canada it is forecast to increase by 10% from 2000-01. In Alberta and Saskatchewan, yields are estimated to be well below average, due to drought. In Manitoba, yields are estimated to be slightly below normal, as excess moisture has stressed the crops, increased disease pressure and flooded low lying areas in many regions. Western wheat and durum quality is expected to be above average, with high protein levels reported. In eastern Canada, dry conditions are expected to result in below normal yields for corn and soybeans. Total exports are forecast to fall by 12%, to 24.4 million tonnes (Mt), with exports of all crops except durum wheat, corn and flaxseed expected to decline. Prices for all Canadian grains and oilseeds are expected to be higher than in 2000-01.

WHEAT (ex-durum)

For 2000-01, domestic use increased slightly, with a small decline in feed use offset by higher human food and seed use, while exports fell by 10%. Carry-out stocks increased by 6%, largely on farms. Although producer deliveries to the Canadian Wheat Board (CWB) were not restricted, forecast higher prices and expectations of low yields in 2001-02 appear to have resulted in farmers holding stocks in hopes of higher prices in the next crop year.

For 2001-02, production is estimated to be down by 13%, at 18.4 Mt. This will be partly offset by higher carry-in stocks. Exports will be limited by supplies, and are forecast to fall by 8%. Feed use is expected to decline due to tight supplies and good quality. Carry-out stocks are expected to fall to 5.3 Mt. The CWB Aug. 2001-02 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$207/t, in-store Vancouver/St. Lawrence, \$22/t above 2000-01. Ontario winter wheat production is down by 23%, at 1.1 Mt, but quality is good. The Ontario Wheat Producers' Marketing Board's Projected Pool Returns for No.1 CEWW wheat are \$135-145/t, vs. the 2000-01 final realized price of \$110/t.

DURUM

For 2000-01, exports declined by 3%, due to lower than normal quality. Carry-out stocks rose to a record 2.9 Mt.

For 2001-02, a combination of a smaller area and drought has reduced production by 46%, to the lowest level since 1992-93. This is partly offset by the record carry-in stocks, and supplies are expected to be sufficient to meet domestic and export demand. Exports are forecast to rise by 12%, to 3.9 Mt, as world demand is expected to be good, due to poor crops in southern Europe. Carry-out stocks are projected to drop to 1.1 Mt. The Aug. CWB 2001-02 PRO for No.1 CWAD 11.5% protein is \$242/t I/S VC/SL, \$4/t higher than 2000-01.

BARLEY

For 2000-01, exports rose by 9%, but were below the 10-year average of 3.1 Mt. Carry-out stocks fell by 14%.

For 2001-02, production is estimated to have decreased by 14% from 2000-01, due to lower yields, lower seeded area, and a high abandonment rate. Supplies are forecast to decrease to the lowest level

since 1992-93. Exports of feed barley and malting barley are expected to decline significantly due to the reduced supplies. Feed use is also expected to fall due to the lower supplies, although some of the feed demand is expected to be met by increased imports of US corn into western Canada. Carry-out stocks are forecast to decline sharply, well below the 5-year average of 2.6 Mt. The CWB mid-September PRO for No.1 CW Feed Barley is \$175/t, up \$33/t from 2000-01. Prices for malting barley are forecast to increase due to tightening world supplies. The CWB August PRO for Special Select 2-Row Designated barley is \$215/t, vs the 2000-01 PRO of \$202/t.

OATS

For 2000-01, exports increased due to strong demand from the US. Carry-out stocks decreased sharply.

For 2001-02, production is estimated to have decreased by 10% despite increased seeded area. Quality of oat production has been variable. Exports are forecast to decrease as a result of reduced supplies. Carry-out stocks are projected to approach historically low levels. Oat prices are forecast to increase from 2000-01, due to lower stocks and higher US corn prices.

CORN

For 2000-01, imports are forecast to rise by 164%, to 2.7 Mt. Despite lower production, carry-out stocks are forecast to remain historically high.

For 2001-02, production is forecast to increase due to higher seeded area, although yields are expected to be below normal due to dryness. Imports into western Canada are forecast to increase significantly, while imports into eastern Canada are forecast to decline but remain high. Domestic use is expected to increase as a result of higher corn feeding in western Canada. Ontario corn prices are expected to rise due to higher US prices.

CANOLA

For 2000-01, exports rose by 22% to a record high 4.9 Mt, 17% above the previous record set in 1994-95. Carry-out stocks fell by 50%, but still remained historically high.

For 2001-02, supplies are expected to decrease, with both production and carry-in stocks declining sharply. Exports are forecast to fall significantly, particularly to

China and Mexico due to lower supplies. Domestic crush is also expected to drop sharply, due to tight supplies and below normal crush margins. Carry-out stocks are projected to decline by 62%, to 0.4 Mt, which is very tight and the lowest level since 1993-94. Canola prices are forecast to increase by about 25%.

FLAXSEED (excluding solin)

For 2000-01, exports increased from the previous year, while carry-out stocks declined by 29% due to sharply lower production.

For 2001-02, supplies are expected to decrease slightly, as lower carry-in stocks largely offset the increase in production. Exports are forecast to increase to normal levels, due to higher production and increased import demand in the EU. Carry-out stocks are forecast to decline but remain historically high. Prices are forecast to increase by about 17%.

SOYBEANS

For 2000-01, exports are forecast to decline due to increased competition from the US and South America. Carry-out stocks are forecast to increase.

For 2001-02, production is forecast to decrease significantly because of sharply lower yields, as a result of insufficient moisture and insect infestations. The decline in domestic supply is expected to be moderated by stable imports. Domestic use is expected to fall slightly due to a decrease in crush. Exports are forecast to decline as a result of tight supplies. Carry-out stocks are expected to fall from 2000-01. Chatham prices are forecast to increase slightly, due to higher US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-maillennoxg@em.agr.ca
Coarse Grains.....Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca
www.agr.gc.ca/mad-dam/

LAMAD/OUTLOOKS&D/2001/Sep/2001/Sep/2001.e.wpd

| B. CASH PRICES AND REPLACEMENT VALUES | | | | As of Monday September 10, 2001 | | |
|---------------------------------------|--------------------------|--------|-----------|---------------------------------|-----------|----------|
| PRAIRIE GRAINS | | | | | | |
| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
| From: Thunder Bay 2 | In-Store | WHEAT | 145.00 | 146.00 | 137.00 | 135.50 |
| | | OATS | 191.61 | 167.84 | 178.26 | N/A |
| | | BARLEY | 158.00 | 158.00 | 149.50 | 108.70 |
| To: Bayports, Ont. | In-store | WHEAT | 168.10 | 169.10 | 160.10 | 158.60 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 185.15 | 185.15 | 1. | N/A |
| Montreal, Que. | In-store | WHEAT | 172.85 | 173.85 | 1. | 176.65 |
| | | OATS | N/A | N/A | 1. | 135.85 |
| | | BARLEY | 190.27 | 190.27 | 1. | 164.85 |
| Moncton, N.B | Truck via Halifax | WHEAT | 195.32 | 196.32 | 1. | 163.35 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 216.63 | 216.63 | 1. | N/A |
| Truro, N.S. | Truck via Halifax | WHEAT | 192.82 | 193.82 | 1. | 181.77 |
| | | OATS | N/A | N/A | 1. | 140.97 |
| | | BARLEY | 211.75 | 211.75 | 1. | 187.32 |
| Halifax, N.S. | In-store | WHEAT | 180.15 | 181.15 | 1. | 185.82 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 198.07 | 198.07 | 1. | N/A |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 239.93 | 240.93 | 1. | 208.13 |
| | | OATS | 297.81 | 274.04 | 1. | 203.25 |
| | | BARLEY | 265.14 | 265.14 | 1. | 172.15 |
| From: Melfort, Sask. | FOB | WHEAT | 147.00 | 147.00 | 1. | 170.65 |
| | | OATS | 173.48 | 149.81 | 1. | N/A |
| | | BARLEY | 144.00 | 145.00 | 1. | N/A |
| To: Bayports, Ont. | Track | WHEAT | 203.12 | 203.12 | 1. | N/A |
| | | OATS | 232.35 | 208.68 | 1. | N/A |
| | | BARLEY | 197.39 | 198.39 | 1. | N/A |
| Montreal, Que. | Track | WHEAT | 203.87 | 203.87 | 1. | N/A |
| | | OATS | 233.35 | 209.58 | 1. | N/A |
| | | BARLEY | 198.21 | 199.21 | 1. | N/A |
| Moncton, N.B. | Track | WHEAT | 225.05 | 225.05 | 1. | N/A |
| | | OATS | 256.59 | 232.92 | 1. | N/A |
| | | BARLEY | 210.32 | 211.32 | 1. | N/A |
| Truro, N.S. | Track | WHEAT | 225.22 | 225.22 | 1. | N/A |
| | | OATS | 257.56 | 233.89 | 1. | N/A |
| | | BARLEY | 223.94 | 224.94 | 1. | N/A |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 268.56 | 268.56 | 1. | N/A |
| | | OATS | 304.94 | 281.27 | 1. | N/A |
| | | BARLEY | 272.23 | 273.23 | 1. | N/A |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|-----------|----------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 138.71 | 139.68 | 135.22 | 110.82 |
| To: Montreal, Que. (US Corn) | In-store | | 157.61 | 158.58 | 154.12 | 129.72 |
| From: Saginaw (Mi) | Track | | 126.37 | 125.52 | 126.73 | 93.81 |
| To: Montreal, Que. (US Corn) | Track | | 153.91 | 153.06 | 154.27 | 121.35 |
| From: Chatham | Track | | 150.29 | 149.70 | 134.24 | 112.00 |
| To: Montreal, Que. | Track | | 173.18 | 172.59 | 157.13 | 134.89 |

| | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--------|--------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | |
| From: Hamilton, Ont. | | | 323.30 | 325.29 | 338.08 | 299.72 |
| To: Montreal, Que. | Track | | 345.77 | 347.76 | 360.55 | 322.19 |
| Moncton, N.B. | Track | | 363.08 | 365.07 | 377.86 | 339.50 |
| Truro, N.S. | Track | | 366.05 | 368.04 | 380.83 | 342.47 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 415.31 | 417.30 | 430.09 | 391.73 |

1. Prices include one month of storage and interest charges n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Bi-weekly Bulletin

September 28, 2001 Volume 14 Number 17



DRY PEAS: SITUATION AND OUTLOOK

Canada is the largest producer and exporter of dry peas in the world, accounting for about 25% of world production and 55% of world exports. The value of Canadian dry pea exports was about \$450 million in 2000-2001. Canadian seeded area for dry peas increased by about 600% during the past 10 years. The expansion of dry pea production in Western Canada has provided producers with an alternative cash crop to use in their rotations and livestock feeders with a new source of feed ingredient. In addition, the expansion has resulted in increased employment opportunities in Western Canada through the expansion of the handling, marketing and processing facilities. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for dry peas.

AGRONOMICS

Dry peas were one of the first cultivated crops and were first domesticated in the Middle East. They were an important crop in Eastern Canada during the period 1850-1950, with as much as 300,000 hectares seeded annually. The crop was gradually replaced by soybeans and had largely disappeared in Eastern Canada by the 1970s. In Western Canada, production started during the 1930s in Manitoba, but grew slowly until the 1990s, when most of the production shifted to Saskatchewan.

Dry peas are a cool season crop with a relatively shallow root system. They are, generally, as drought tolerant as cereal grains, but cannot tolerate heat stress during flowering. Peas take about 90-105 days to reach maturity, depending on the variety grown. The crop is best suited to the black soil zone, with well drained, clay loam soils being ideal for dry pea production. However, peas have performed well in all areas of the Prairies, especially in summers with cool and moist conditions. Poorly drained, cold soils can favour the development of seedling diseases and root rots. Peas should not be grown on saline soils and should not be grown on the same field more than once in every four years to avoid the rapid increase of soil-borne and foliar diseases.

Dry pea production provides an agronomically sound way of extending and improving crop rotations. They are capable

of fixing part of their nitrogen requirements if properly inoculated with the pea strain of *Rhizobium*. Thus, acceptable pea yields can be produced in some years with little nitrogen fertilizer. However, a soil test should be used to determine required nutrients. The crop following dry peas in the rotation generally yields more than the same crop grown after cereals or oilseeds. Care must be taken in harvesting the crop. Dry peas which have been harvested in a careless manner and contain excessive amounts of foreign material, cracked seed coats, and broken and damaged seed will have heavy losses in the cleaning process.

UTILIZATION

There are two uses for dry peas, livestock feed and human food. Use for livestock feed is mainly in Europe and Canada, whereas use for food is mainly in Latin America and Asia.

Feed

The hog production industry is the most important user of feed peas, although poultry, cattle and other livestock also consume them. A small, but important user, is the bird seed industry.

Dry peas are a good source of energy for hogs and contain amounts of digestible energy similar to wheat. When protein quality and amino acids, such as lysine, are considered in diet formulation for hogs, peas are very price competitive. Moreover, feed peas do not have to be heat treated to deactivate anti-nutritional

factors. Protein testing of peas for on-farm feeding is recommended since feed pea protein will vary between individual lots.

Dry peas are known for having high quality protein, with a protein content of about 22.5%. The digestibility of protein from peas is good, with digestibility values of 83-86% for hogs and 84-88% for poultry, which is almost as high as soy meal protein. Dry pea protein fed to cattle is readily digested. Pea protein, protein from cereals, and canola meal are nutritionally complementary, enhancing each one's value when used in rations.

Although dry peas are most widely used in feeding hogs, they are also used for feeding all classes of poultry. In feeding poultry, they are a good source of protein and a moderate source of energy. The nutrient profile makes peas a very economical ingredient for layers, but they can also be used for broilers. Dry peas are also a good source of supplementary protein for cattle, as well as a good source of energy. The relatively slow degradation rate of starch in peas may be beneficial in animals fed diets containing a high concentration of grain.

Food

Food use of dry peas includes canning, split and whole dry markets, as well as constituent products such as protein, flour, starch, and fibre. These products are then used in baked goods, baking mixes, soup mixes, breakfast cereals, processed meats, health foods, pastas and purees. Dry peas are an



WORLD: DRY PEA PRODUCTION AND TOTAL SUPPLY

| | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002f |
|-------------------------|---------------------------|---------------|---------------|---------------|----------------|
| |thousand tonnes..... | | | | |
| Canada* | 1,747 | 2,337 | 2,252 | 2,864 | 2,398 |
| France** | 3,220 | 3,325 | 2,750 | 1,940 | 2,093 |
| China | 1,000 | 1,207 | 1,170 | 1,070 | 1,200 |
| Russia | 1,196 | 660 | 598 | 700 | 700 |
| Ukraine | 903 | 652 | 498 | 560 | 550 |
| India | 720 | 600 | 600 | 600 | 600 |
| Germany** | 400 | 589 | 610 | 403 | 486 |
| Australia*** | 316 | 298 | 357 | 401 | 345 |
| United Kingdom** | 371 | 323 | 356 | 298 | 367 |
| United States**** | 300 | 304 | 249 | 193 | 220 |
| Other | 2,092 | 2,114 | 1,718 | 1,687 | 1,720 |
| Total Production | 12,265 | 12,409 | 11,158 | 10,716 | 10,679 |
| Carry-in stocks (e) | 600 | 900 | 900 | 800 | 450 |
| Total Supply | 12,865 | 13,309 | 12,058 | 11,516 | 11,129 |

e: estimate, AAFC, September 2001

f: forecast, AAFC, September 2001

Source: FAO, except *Statistics Canada, **UNIP/COCERAL,

ABARE, *USDA, September 2001

excellent source of protein, fibre, and complex carbohydrates well suited to the demands of health conscious consumers. In addition, dry peas are a good source of potassium and B vitamins.

WORLD

Production

World dry pea production has been in the range of 11-13 million tonnes (Mt) during the past 10 years except for two unusually high production years, 1993-1994 and 1994-1995, when it approached 15 Mt. However, production has shifted out of Russia and Ukraine into Canada. In 1991-1992, Canada accounted for only 3% of world dry pea production, but by 2000-2001 Canada's share increased to 27%. Production in the European Union (EU) had been fairly stable, until decreasing sharply in 2000-2001 because of reduced seeded area and lower yields. In China, India, Australia, and the United States (U.S.), production varied from year to year, but there was not a significant change from the beginning of the decade to the end.

Trade

World trade in dry peas has been variable during the 1990s, ranging from a low of 2.37 Mt in calendar year 1992 to 3.63 Mt in 1995. In 1999, the latest year for which trade data is available, 3.73 Mt of dry peas were exported. At the beginning of the 1990s, world exports were dominated by France which had about a 40% share of exports. Canada's share was only about 10%. Other major exporters were Australia,

largest, followed by Germany, Belgium, and Spain. The only large non-European importer was India. By the end of the decade, there was some shifting of exports from Europe to Asia. Western Europe was still the largest importing region, with Belgium the largest importing country, followed by Spain, the Netherlands, Germany, and Italy. However, India's imports quadrupled and Bangladesh and China became significant importing countries. The shift in exports from Europe to Asia, implies that a larger share of the exports are now going for food use, rather than for feed. Latin America is also a significant importing region, with Cuba being the largest individual importing country.

CANADA

Production

Canadian dry pea seeded area increased by nearly 500% during the period 1991-1992 to 2000-2001, with 1.24 million hectares seeded in 2000-2001. Production increased by 600%, during the same period, from 0.41 Mt in 1991-1992 to 2.86 Mt in 2000-2001. Most of the increase in production was due to increased seeded area, but there has also been an upward trend in average yields. The growth in dry pea production has been largely in Saskatchewan. During the 1991-1992 to 2000-2001 period, Saskatchewan production increased by nearly 1,200%, Alberta by 275% and Manitoba by 90%. In

Czechoslovakia, Hungary, Denmark, the United Kingdom, and the U.S.

During the decade, Canada's share grew until it became the largest exporter in 1997. In 1999, Canada's share of exports increased to 40%, with France in second place at 33%. In 1999, the only other significant exporters, in addition to Canada and France, were Australia and the U.S. Ukraine's exports dropped sharply in 1996, in line with lower production.

Canada's share of world exports increased further since 1999 and is estimated at 55% for crop year 2000-2001.

At the beginning of the 1990s, the main importing countries were in western Europe; with the Netherlands being the

1991-1992, Saskatchewan accounted for 39% of Canadian production, Alberta for 40% and Manitoba for 20%. The remaining 1% was produced in British Columbia, Ontario, and Quebec. In 2000-2001, Saskatchewan's share of production increased to 72%, Alberta's dropped to 22% and Manitoba's decreased to 5.5%, with 0.5% produced in British Columbia, Ontario, and Quebec. Canada produces several types of peas, with the large and medium yellow types accounting for 66% of 2000-2001 production. Green peas accounted for 29% of the production and the remaining 5% consisted of maple, green marrowfat, small yellow, and Austrian winter peas.

Marketing

Dry peas are sold on the open market to dealers located throughout the Prairie provinces. Feed peas are sold mainly to large grain companies, whereas food peas are sold to specialized cleaning and handling facilities. Some of the facilities are owned by large grain companies, but most are smaller or medium-sized companies. Some dry peas are also sold directly to processing plants and feed mills. Some dry peas are grown under production contracts which guarantee a price for part of the production.

The Winnipeg Commodity Exchange (WCE) revised the field (feed) pea futures contract on July 25, 2001. Pricing is based on seven

WORLD: DRY PEAS EXPORTS

| calendar year | 1995 | 1996 | 1997 | 1998 | 1999 |
|---------------|---------------------------|--------------|--------------|--------------|--------------|
| |thousand tonnes..... | | | | |
| Canada* | 1,063 | 853 | 1,004 | 1,302 | 1,594 |
| France | 1,057 | 883 | 821 | 1,096 | 1,176 |
| Australia | 128 | 292 | 274 | 197 | 260 |
| United States | 112 | 117 | 100 | 127 | 101 |
| Ukraine | 456 | 87 | 116 | 132 | 74 |
| Other | 827 | 534 | 568 | 499 | 522 |
| Total | 3,643 | 2,766 | 2,883 | 3,353 | 3,727 |

WORLD: DRY PEAS IMPORTS

| calendar year | 1995 | 1996 | 1997 | 1998 | 1999 |
|---------------|---------------------------|--------------|--------------|--------------|--------------|
| |thousand tonnes..... | | | | |
| Belgium | 642 | 636 | 513 | 579 | 569 |
| Spain | 556 | 332 | 425 | 561 | 527 |
| Netherlands | 706 | 558 | 365 | 512 | 522 |
| India | 173 | 155 | 282 | 257 | 366 |
| Cuba** | 200 | 200 | 200 | 200 | 200 |
| Germany | 425 | 223 | 141 | 131 | 164 |
| Italy | 193 | 89 | 86 | 99 | 108 |
| Bangladesh | 11 | 2 | 49 | 70 | 118 |
| China | 25 | 148 | 138 | 105 | 68 |
| Other | 672 | 600 | 539 | 531 | 574 |
| Total | 3,603 | 2,943 | 2,738 | 3,045 | 3,216 |

Note: The difference between imports and exports is attributed to the timing of delivery.

Source: FAO, except *Statistics Canada and **AAFC estimate, September 2001

defined pricing regions across the Prairie provinces. However, the futures price is based on a Par region, central Saskatchewan, with delivery in alternate regions at predefined premiums and discounts reflective of the underlying cash feed pea market. The contract is traded in Canadian dollars and the trading months are March, May, July, October, and December. Please visit the WCE website for details: www.wce.mb.ca.

Feed peas are generally shipped bulk by rail, from the dealers plants to ports and other markets. Food peas are also generally shipped by rail, either bulk or in containers.

The Canadian Special Crops Association (CSCA) is an industry organization representing traders, exporters and processors of special crops, including dry peas. The CSCA website is: www.specialcrops.mb.ca. Pulse Canada is also an industry organization, with the CSCA and provincial pulse growers' organizations as members. It is involved in policy issues, coordinating research efforts and market development. The Pulse Canada website is: www.pulsecanada.com

The Canadian Grain Commission (CGC) establishes quality standards for dry peas. The grades are No. 1, 2, and 3 Canada Green; No. 1, 2, 3 and extra 3 Canada other than Green, as well as Canada Feed and Sample Canada. Generally, No. 1 and 2 peas are sold into the food market. For

further information, or to access the Official Grain Grading Guide, please visit the CGC website: www.cgc.ca.

Domestic Use

About 35% of the dry peas produced in Canada are consumed domestically. Canadian domestic use has been increasing with increasing Canadian supply. Most of the increase is due to greater use for livestock feed in the Prairie provinces, especially for feeding hogs. Usually peas displace soymeal and high energy grains, such as wheat or corn, in a hog ration in a one-third to two-thirds ratio. Therefore, a formula of one-third soymeal and two-thirds wheat or corn, whichever has the lower price, gives an approximation of the opportunity price of peas.

Dry peas are a very economical feed ingredient and can substitute for imported corn and soymeal in Western Canada. The lowest price spread between a two-thirds corn and one-third soymeal mixture, and dry peas is in eastern Manitoba, because of the lowest transportation cost from the U.S. mid-west corn and soybean producing areas.

An innovative use of dry peas in livestock feed is a mixture of two-thirds ground peas and one-third canola meal. In a mixture of peas and canola meal, peas complement canola

meal. Although canola meal is an excellent source of protein, it is low in digestible energy. Peas have high energy digestibility, and the amino acid profile of peas, which is high in lysine, complements the amino acid profile of canola meal, which is high in methionine and cystine. A more recent development is an extruded blend of ground dry peas and canola seed. In addition to the two ingredients complementing

CANADA: DRY PEA PRODUCTION BY TYPE

| August-July crop year | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002f |
|--------------------------|---------------------------|---------------|---------------|---------------|----------------|
| |thousand tonnes..... | | | | |
| Yellow | 1,150 | 1,400 | 1,450 | 1,900 | 1,560 |
| Green | 500 | 800 | 700 | 830 | 730 |
| Other* | 97 | 137 | 102 | 134 | 108 |
| Total | 1,747 | 2,337 | 2,252 | 2,864 | 2,398 |

* small yellow, Maple, green marrowfat, and Austrian winter peas

f: forecast, AAFC, September 2001

Source: AAFC estimates based on Statistics Canada and industry reports

each other, the high oil content is a readily available source of energy and can be used as a replacement for such products as corn oil or rendered fat.

The domestic food market is much smaller than the feed market, but is important for producers and dealers. The domestic processing industry includes splitting, canning, packaging of whole or split seed, the production of dry soup mixtures, or milling for flour, hulls, protein concentrate and starch. The marrowfat type, as well as some others, are used in the confectionary markets. An additional domestic market for dry peas is seed for planting. Some small yellow seed is sold for seeding silage mixtures. The maple and Austrian winter types are used mainly by the bird seed industry.

Exports

In 2000-2001, about 65% of Canadian dry peas were exported. About 45% of the exports went into the feed market, mainly in Europe, and 55% into the food market mainly in Latin America and Asia. The feed market consumes both the yellow and green types. Although both yellow and green peas are sold into the food markets all over the world, the main market for green peas is Latin America and for yellow peas, Asia. In Europe, the largest importing country is Spain. Belgium is the second largest importer, but the volume of imports are less consistent than Spain. Other significant European importers are the Netherlands, Italy, Ireland, and more recently France. In Asia, the largest importer is India, followed by Bangladesh, China, and Pakistan. Other significant importers in Asia are Japan, South Korea, and Taiwan. In the western hemisphere, on average, Cuba is the largest importer, but the volume imported is extremely variable from year to year. Other significant importers are Colombia, Brazil, the U.S., Venezuela, Mexico, Ecuador, and Peru.

Canadian exports increased sharply in 2000-2001 to a record 2.1 Mt, because of increased supply in Canada and strong

CANADA: DRY PEA SUPPLY AND DISPOSITION

| August-July crop year | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001e | 2001 -2002f |
|--------------------------------|---------------------------|---------------|---------------|----------------|----------------|
| Harvested Area (thousand ha) | 848 | 1,078 | 835 | 1,220 | 1,408 |
| Yield (t/ha) | 2.06 | 2.17 | 2.70 | 2.35 | 1.70 |
| |thousand tonnes..... | | | | |
| Carry-in Stocks | 215 | 335 | 375 | 400 | 195 |
| Production | 1,747 | 2,337 | 2,252 | 2,864 | 2,398 |
| Imports | 12 | 10 | 12 | 10 | 10 |
| Total Supply | 1,974 | 2,682 | 2,639 | 3,274 | 2,603 |
| Exports | 1,116 | 1,705 | 1,417 | 2,100 | 1,600 |
| Total Domestic Use | 523 | 602 | 822 | 979 | 953 |
| Total Use | 1,639 | 2,307 | 2,239 | 3,079 | 2,553 |
| Carry-out stocks | 335 | 375 | 400 | 195 | 50 |
| Stocks-to-Use Ratio (%) | 20 | 16 | 18 | 6 | 2 |
| Average producer price (\$/t) | 180 | 135 | 135 | 137 | 140 -170 |
| Harvested Area (thousand ac.) | 2,095 | 2,664 | 2,063 | 3,015 | 3,479 |
| Yield (bu/ac.) | 31 | 32 | 40 | 35 | 25 |
| Production (Mbu) | 64 | 86 | 83 | 105 | 88 |
| Average producer price (\$/bu) | 4.90 | 3.67 | 3.67 | 3.73 | 3.81 -4.63 |

e: estimate, AAFC, September 2001

f: forecast, AAFC, September 2001

Source: Statistics Canada and Agriculture and Agri-Food Canada

COST SAVINGS USING PEAS IN A HOG RATION *

| | Opportunity Price of Peas ^{1/} | Actual Price of Peas | Feed Cost Saving ^{2/} |
|-----------|--|-------------------------|-----------------------------------|
| | | \$/t | |
| Winnipeg | 190 | 140 | 13 |
| Saskatoon | 206 | 147 | 15 |
| Calgary | 218 | 157 | 15 |

* September 2001

^{1/} Based on one-third soymeal and two-thirds corn.

^{2/} Based on a 25% inclusion level.

Source: AAFC

OUTLOOK: 2001-2002

World

World dry pea production is forecast to decrease slightly to 10.68 Mt, as higher expected production in the EU is more than offset by lower production in Canada. World total supply is forecast to decrease by 3% to 11.13 Mt, because of lower production and carry-in stocks.

Canada

Canadian production is forecast to decrease by 16% to 2.40 Mt, as an 18% increase in the seeded area is more than offset by lower yields and a higher abandonment rate. The lower yields and higher abandonment rate are due to drought in most of the dry pea growing areas of Saskatchewan and Alberta. Production is expected to decrease proportionally for all types of dry peas. Saskatchewan's share of Canadian production is expected to fall to 67%, while Alberta's share increases to 25.5% and Manitoba's share increases to 6.5% with the remaining 0.5% produced in British Columbia, Ontario, and Quebec. Total supply is expected to decrease by 20% to 2.60 Mt. Exports are forecast to decrease by 24% to 1.6 Mt, with the largest decrease for Europe, because of reduced Canadian supply and increased production in the EU. Domestic use is expected to decrease by 3% because of the lower supply. Carry-out stocks are forecast to decrease to a negligible level, with a stocks-to-use ratio of 2%. The average price over all types, grades, and markets is forecast to increase by about 15%, in line with the lower Canadian and world supply. Price increases are forecast for all types of dry peas.

demand from Europe and Asia.

Prices

The price of feed peas is related to prices of alternate feed grain and protein meal ingredients. There are, however, regional price differences within the Prairie provinces based on local supply and demand factors. Food pea prices are at a premium to feed pea prices, however the quality standards are higher. The premiums for yellow food peas and green food peas are usually different, depending on the supply and demand factors for each type. For example, in 2000-2001, the average price for green peas was higher than for yellow peas, but in 1999-2000 the average price of yellow peas was higher. The market for green food peas is smaller than for yellow food peas. Therefore, it is easier to oversupply the market, as happened in 1998-1999. The price for maple and small yellow peas also varies depending on the supply and demand factors for each type. Green marrowfat peas are mostly produced under contract, which guarantee a price for the production.

The average price over all types, grades and markets increased slightly in 2000-2001, because of the increase for green food pea prices. Prices of yellow food peas and feed peas were similar to 1999-2000.

CANADA: DRY PEA EXPORTS

| August-July crop year | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001e | 2001 -2002f |
|--------------------------|---------------------------|---------------|---------------|----------------|----------------|
| |thousand tonnes..... | | | | |
| Asia | 395 | 700 | 638 | 850 | 700 |
| Europe | 438 | 589 | 533 | 970 | 700 |
| South America | 77 | 90 | 103 | 135 | 100 |
| Central America | 152 | 215 | 50 | 60 | 35 |
| United States | 31 | 23 | 24 | 25 | 25 |
| Africa | 8 | 25 | 24 | 30 | 20 |
| Oceania | 0 | 42 | 29 | 15 | 10 |
| Middle East | 15 | 21 | 16 | 15 | 10 |
| Total | 1,116 | 1,705 | 1,417 | 2,100 | 1,600 |

e: estimate, AAFC, September 2001

f: forecast, AAFC, September 2001

Source: Statistics Canada

For periodic updates on the situation and outlook for dry peas, visit the Market Analysis Division Website for "Canada: Special Crops Situation and Outlook."

For more information, please contact:

Stan Skrypetz
Special Crops Analyst
Phone: (204) 983-8972
E-mail: skrypetz@em.agr.ca

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

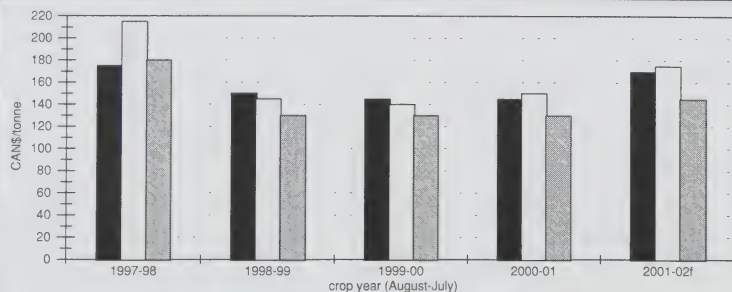
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CANADA: AVERAGE PRODUCER PRICE FOR DRY PEAS



f: forecast, AAFC, September 2001
Source: AAFC

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | As of Monday September 24, 2001 | | | |
|---|------------------|-------------|--------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|---------------------------------|-------------|--------------|--------------|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
| Vancouver B.C. | This week | FOB | 173.16 | N/A | 179.16 | 169.00 | | 349.00 | (7) 231.00 | 139.00 | 375.00 | (4) 825.00 | 460.00 | | | | 440.00 |
| | Week ago | | 173.16 | N/A | 179.16 | 171.50 | | 345.00 | (7) 235.00 | 139.00 | 375.00 | (4) 825.00 | 470.00 | | | | 430.00 |
| Calgary Alta. | This week | FOB | 150.00 | N/A | 156.00 | 165.00 | | 354.50 | N/A | | 335.00 | (4) 875.00 | 495.00 | | | | 440.00 |
| | Week ago | | 150.00 | N/A | 156.00 | 165.00 | | 348.00 | N/A | | 335.00 | (4) 875.00 | 505.00 | | | | 430.00 |
| Saskatoon Sask. | This week | FOB | 146.50 | 183.00 | 145.00 | 150.00 | | 346.50 | 233.00 | | 335.00 | (4) N/A | 495.00 | | 193.33 | | 470.00 |
| | Week ago | | 145.50 | 173.50 | 146.00 | 150.00 | | 340.00 | 235.00 | | 335.00 | (4) N/A | 505.00 | | 181.00 | | 460.00 |
| Melfort Sask. | This week | FOB | 147.40 | 190.87 | 143.10 | | | | | | | | | | | | |
| | Week ago | | 148.00 | 176.63 | 144.60 | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | 107.75 | 169.13 | 135.20 | 135.00 | | 329.50 | 223.00 | | 320.00 | (4) 840.00 | 435.00 | | | | 420.00 |
| | Week ago | | 108.35 | 154.28 | 128.20 | 138.00 | | 323.50 | 225.00 | | 310.00 | (4) 840.00 | 435.00 | | | | 420.00 |
| Thunder Bay Ont. | This week | In-store | 145.40 | 209.01 | 157.10 | | | | | | | | | | | | |
| | Week ago | | 146.00 | 194.75 | 158.60 | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | 133.70 | | | N/A | | | | | | | | |
| | Week ago | Vessel | | | | 136.87 | | | N/A | | | | | | | | |
| Bay Ports Ont. | This week | In-store | 167.40 | 250.00 | 157.10 | | | | | | | | | | | | |
| | Week ago | | 168.00 | 240.00 | 158.60 | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | 147.73 | | | | | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | GLUTEN FEED | DEHY ALFALFA | FEATHER MEAL |
| | Week ago | | | | | 150.09 | | | | | 309.00 | (5) N/A | 455.00 | 515.00 | 152.00 | 235.00 | 430.00 |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | 309.00 | (5) N/A | 445.00 | 505.00 | 152.00 | 235.00 | 430.00 |
| | Week ago | | | | | | FOB | 331.57 | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | | 333.89 | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 138.37 | | | | | | | | 505.00 | 144.00 | | |
| | Week ago | | | | | 137.78 | | | | | | | | 495.00 | 144.00 | | |
| London Ont. | This week | FOB | | | | | | | | | | | | 505.00 | | | |
| | Week ago | | | | | | | | | | | | | 495.00 | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | 505.00 | 144.00 | | |
| | Week ago | | | | | | | | | | | | | 495.00 | 144.00 | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | 505.00 | 144.00 | | |
| | Week ago | | | | | | | | | | | | | 495.00 | 144.00 | | |
| Montreal Que. | This week | | | | | | FOB | 343.22 | 248.18 | 115.67 | 309.00 | (5) 795.00 | 336.00 | 515.00 | 154.00 | 225.00 | 450.00 |
| | Week ago | | | | | | | 335.55 | 249.29 | 119.00 | 309.00 | (5) 795.00 | 336.00 | 505.00 | 154.00 | 225.00 | 450.00 |
| Trois-Riv. Que. | This week | In-store | 186.40 | | 195.10 | 152.45 | | | | | | | | | | | |
| | Week ago | | 187.00 | | 196.60 | 149.99 | | | | | | | | | | | |
| St-Jean Que. | This week | FOB | 162.70 | 144.00 | 159.03 | (2) 139.07 | | | | | | | | | | | |
| St-Hyacinthe, Que. | This week | | | | | (2) 138.58 | | | | | | | | | | | |
| Quebec Que. | Week ago | In-store | 185.90 | 137.50 | 158.87 | 156.39 | FOB | 335.80 | | | | | | | | | |
| | Week ago | | 185.17 | | 189.77 | 158.49 | | 331.50 | | | | | | | | | |
| Truro N.S. | This week | Track | 209.99 | 197.26 | 209.92 | 197.71 | FOB | 358.41 | 251.25 | | 345.50 | | 415.00 | | | | 450.00 |
| | Week ago | | 211.79 | 197.26 | 212.67 | 193.36 | | 359.57 | 253.35 | | 342.00 | | 405.00 | | | | 450.00 |
| Truro N.S. | This week | Water | N/A | N/A | N/A | 192.70 | | | | | | | | | | | |
| | Week ago | & Truck | N/A | N/A | N/A | 194.85 | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | N/A | N/A | N/A | 183.70 | FOB | | | | | | | | | | |
| | Week ago | | N/A | N/A | N/A | 185.85 | | | | | 295.25 | (5) 750.00 | | | | | |
| | | | | | | | | | | | 295.25 | (5) 750.00 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=€1.51, 5692 as of September 24, 2001
Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3C WRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday September 24, 2001

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| From: Thunder Bay 2 | In-Store | WHEAT | 145.40 | 146.00 | 141.10 | 122.80 |
| | | OATS | 209.01 | 194.75 | 158.12 | N/A |
| | | BARLEY | 157.10 | 158.60 | 149.50 | 107.50 |
| To: Bayports, Ont. | In-store | WHEAT | 168.50 | 169.10 | 164.20 | 145.90 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 184.25 | 185.75 | 176.65 | 134.65 |
| Montreal, Que. | In-store | WHEAT | 173.25 | 173.85 | 168.95 | 150.65 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 189.37 | 190.87 | 181.77 | 139.77 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 195.72 | 196.32 | 191.42 | 173.12 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 215.73 | 217.23 | 208.13 | 166.13 |
| Truro, N.S. | Truck via Halifax | WHEAT | 193.22 | 193.82 | 188.92 | 170.62 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 210.85 | 212.35 | 203.25 | 161.25 |
| Halifax, N.S. | In-store | WHEAT | 180.55 | 181.15 | 176.25 | 157.95 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 197.17 | 198.67 | 189.57 | 147.57 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 240.33 | 240.93 | 236.03 | 217.73 |
| | | OATS | 315.21 | 300.95 | 264.32 | N/A |
| | | BARLEY | 264.24 | 265.74 | 256.64 | 214.64 |
| From: Melfort, Sask. | FOB | WHEAT | 147.40 | 148.00 | 142.10 | 110.80 |
| | | OATS | 190.87 | 176.63 | 140.13 | 89.95 |
| | | BARLEY | 143.10 | 144.60 | 136.50 | 92.50 |
| To: Bayports, Ont. | Track | WHEAT | 203.52 | 204.12 | 198.22 | 166.92 |
| | | OATS | 249.74 | 235.50 | 199.00 | 148.72 |
| | | BARLEY | 196.49 | 197.99 | 189.89 | 145.89 |
| Montreal, Que. | Track | WHEAT | 204.27 | 204.87 | 198.87 | 167.67 |
| | | OATS | 250.64 | 236.40 | 199.90 | 149.62 |
| | | BARLEY | 197.31 | 198.81 | 190.71 | 146.71 |
| Moncton, N.B. | Track | WHEAT | 225.45 | 226.05 | 220.15 | 188.85 |
| | | OATS | 273.98 | 259.74 | 223.24 | 172.96 |
| | | BARLEY | 209.42 | 210.92 | 202.82 | 158.82 |
| Truro, N.S. | Track | WHEAT | 225.62 | 226.22 | 220.32 | 189.02 |
| | | OATS | 274.95 | 260.71 | 224.21 | 173.93 |
| | | BARLEY | 223.04 | 224.54 | 216.44 | 172.44 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 268.96 | 269.56 | 263.66 | 232.36 |
| | | OATS | 322.33 | 308.09 | 271.59 | 221.31 |
| | | BARLEY | 271.33 | 272.83 | 264.73 | 220.73 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|---------------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 133.70 | 136.87 | 136.65 | 110.89 |
| To: Montreal, Que. (US Corn) | In-store | | 152.60 | 155.77 | 155.55 | 129.79 |
| From: Saginaw (Mi) | Track | | 121.34 | 125.17 | 122.39 | 97.98 |
| To: Montreal, Que. (US Corn) | Track | | 148.88 | 152.71 | 149.93 | 125.52 |
| From: Chatham | Track | | 147.73 | 150.09 | 147.33 | 111.81 |
| To: Montreal, Que. | Track | | 170.62 | 172.98 | 170.22 | 134.70 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|---------------|---------------|
| From: Hamilton, Ont. | | | 331.57 | 333.89 | 324.85 | 316.36 |
| To: Montreal, Que. | Track | | 345.04 | 356.36 | 347.32 | 338.83 |
| Moncton, N.B. | Track | | 371.35 | 373.67 | 364.63 | 356.14 |
| Truro, N.S. | Track | | 374.32 | 376.64 | 367.60 | 359.11 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 423.58 | 425.90 | 416.86 | 408.37 |

1. Prices include one month of storage and interest charges

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

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INDIA

India, with the second largest population in the world, represents one of the most rapidly growing markets for bulk commodities and agri-food exports in the world. However, in many cases, access to this growing market is constrained by India's high import tariffs and/or high domestic production which is largely driven by domestic subsidies. Although Canada's current share of grains and oilseeds markets in India is minimal, exports of pulse crops, especially dry peas, chick peas, and lentils have increased significantly over the last five years. In 2000-2001, the value of Canadian exports of dry peas, chick peas, and lentils in India was approximately \$160 million. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Canadian exports of grains, oilseeds and pulse crops to India for 2001-2002 and over the longer term.

AGRICULTURAL POLICY DEVELOPMENT

India's economy is a mixture of traditional village farming, modern agriculture and industry. Agriculture contributes about one-third of the Gross National Product and about two-thirds of the country's work force is employed by agriculture and the agriculture industry. Most of the agricultural production is carried out on small family owned land or larger feudal type farms.

The main approach of government policy has been to control trade to ensure adequate availability of essential food items to consumers and to protect farmers from foreign competition.

Indian price policy provides minimum support prices to producers for cereals, oilseeds and some other smaller crops to encourage investment and production. Support prices are fixed each year, taking into account factors including: input prices, domestic and world market trends, inter-crop price parity, supply and demand and the effect on the cost of living.

Economic reforms over the past few years have improved the profitability of agriculture and it is expected that more will be done to broaden agriculture by

improving production technologies, including the upgrading of handling and storage facilities.

India's share in world agricultural commodities trade is less than 1%. For over four decades, industry received protection and agriculture served as a source of cheap raw materials for the domestic industry. This reduced agricultural exports and investments in agriculture. Indian agriculture has been developing, due in part to the reduction in the high degree of protection accorded to the manufacturing sector and by letting the farming community receive market prices to bring about more equitable terms of trade for this sector.

Since the late 1990s, most agricultural imports, which used to go through government agencies, have been privatized. India has maintained import restrictions on agricultural products since the 1950s because of problems with its balance of payments. In the intervening period, the balance of payments improved significantly and India, under the World Trade Organization (WTO), was obliged to lift all

restrictions on food and beverage products in April 2001. Despite reforms, the government is continuing to curb imports with high tariffs on bulk commodities. For example, wheat and corn, which used to have zero duty, have been brought under the tariffs, while tariffs on vegetable oils have been increased.

SITUATION AND OUTLOOK

In reviewing Indian production, it is useful to bear in mind that there are two crops in India, a summer crop (kharif) harvested mainly in September, and a winter crop (rabi), harvested mainly in March. Wheat and barley are predominantly winter crops.

Wheat

India's wheat production has increased significantly in the last decade, largely due to increased area and higher yields.

INDIA: ECONOMIC STATISTICS

| | 1998 | 1999 | 2000e | 2001f |
|----------------------------|------------------------|------|-------|-------|
| Population (million) | 975 | 991 | 1,007 | 1,027 |
| GDP growth (%) | 6.8 | 6.5 | 6.1 | 4.6 |
| Exchange rate (Rupee/US\$) | 42.1 | 43.3 | 45.6 | 47.1 |
| Land area: | 297.3 million hectares | | | |
| Arable land: | 162 million hectares | | | |
| Irrigated land: | 57 million hectares | | | |

e: estimate, USDA, October 2001

f: forecast, AAFC, October 2001

Source: FAO, IMF, USDA, AAFC

Improved varieties, low cost water and electricity, large fertilizer subsidies and high price supports encouraged farmers to increase area and yields. For 2000-2001, India's wheat support price was about CAN\$200 per tonne(t), compared to the United States (U.S.) loan rate of about CAN\$144/t. The rise in production outpaced consumption in the last three years, reducing the need for large wheat imports and enabled India to become a net exporter, at highly subsidized prices.

For 2001-2002, all wheat production is forecast to decrease to 69 Mt, down 10% from the record 2000-2001 crop as drought has led to a significant decline in seeded area. A lack of winter precipitation is expected to reduce yields slightly, where irrigation is a limiting factor. Total supplies are forecast to increase to a record 90 Mt, due to record carry-in stocks. Consumption in 2000-2001, declined to 66 Mt due to a substantial increase in the government domestic price which caused consumers to increase rice consumption. For 2001-2002, consumption is forecast to increase to 68.1 Mt.

India was a large importer in the mid-1990s from countries such as Australia and the European Union (EU). On December 1, 1999 the government raised the import duty on wheat from zero to 50% and reduced the sales price of wheat to flour millers. In October 2000, burdened by record wheat supplies, the government announced its intention to export 2 Mt of wheat at 4,150 rupees/t (CAN\$137/t) which was a 50% subsidy. This is 30% below the support price and 50% below the government's cost of acquisition, in violation of its WTO commitments. Exports of this subsidized wheat by the private trade are not permitted because the government fears the wheat would be sold back into the domestic market. Imports are expected to remain similar to 2000-2001 at 0.1 Mt, largely due to the wheat duty. Large Indian wheat stocks make a reduction of that duty unlikely in the short-term. Wheat exports for 2001-2002 are forecast at 3 Mt, up 20% from last year. Subsidized Indian wheat exports have become competitive with U.S. and Canadian feed wheat markets in the Philippines, Indonesia, South Korea, and Iraq. Other buyers include Yemen and Bangladesh.

Durum

Durum is grown mainly in the areas of Punjab and central India and milled for semolina. For 2001-2002, durum

production is forecast to decrease 10% to 1.8 Mt, however, this is near the five year average of 1.9 Mt. Due to the poor quality of the durum produced, it is not exported, but consumed domestically by people in southern India in the form of breads and pasta.

Wheat and Semolina Milling

Most Indian wheat is soft or medium hard, best suited for making flatbreads called "chapattis" or "rotis", the most popular wheat-based product. Consumers usually take their wheat to small flour mills where it is milled into wholemeal flour called "atta" for making rotis. Although the flour milling capacity in India is about 15 Mt, only 8-9 Mt are milled, mostly to produce all purpose flour or "maida" and semolina or "suji." Recently, however, demand for branded atta milled and marketed by large flour mills, has increased due to its convenience. The demand for specialty wheat flour has also increased due to the growth of fast foods such as pizzas, hamburgers and cakes and increased consumption of pasta products. This increase in consumption is a direct result of the government's wheat import policy, which permitted the supply of various types of wheat to meet end-user needs and encouraged the development of the milling and baking industry.

Barley

Barley is a relatively small crop in India due to its low support price. For 2001-2002, barley production is forecast to increase slightly to 1.5 Mt. All the barley produced is consumed domestically, largely for human food and there is no duty on imports. Barley is not normally used as a feedgrain. The five-year average for feed use is about 0.2 Mt, due to the extensive use of corn as the main source of feed in poultry and dairy

operations. India's per capita consumption of meat is about 3.3 kilograms (kg), compared to 105 kg in North America, and consists largely of fresh poultry, goat, sheep, and fish. There is little demand for frozen or refrigerated meat. Overall, meat prices are relatively low, compared to other foods. Over half of the barley grown is a two-row variety which is processed into barley flour and blended with wheat flour to make flat breads. Six-row varieties are grown for malt and processed domestically by 10 malting facilities which consume about 0.25 Mt of barley annually.

INDIA: CROPS

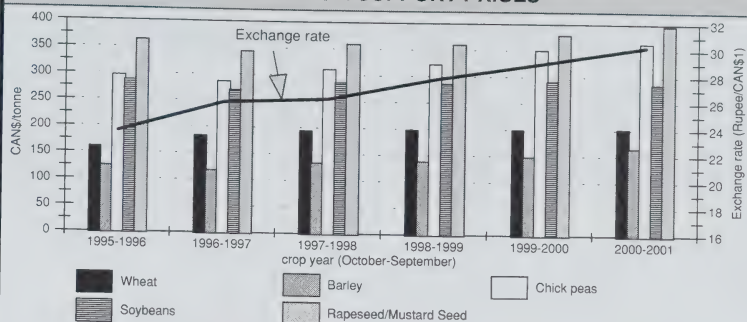
| | Oct.-Sept. crop year* | 1998 -1999 | 1999 -2000 | 2000 -2001f | 2001 -2002f |
|-------------------------------|--------------------------|---------------------------|---------------|----------------|----------------|
| | |thousand tonnes..... | | | |
| All Wheat | | | | | |
| Production | | 66,350 | 70,780 | 75,754 | 68,500 |
| Consumption | | 63,707 | 68,793 | 65,865 | 68,100 |
| Imports | | 1,294 | 1,311 | 100 | 100 |
| Exports | | 0 | 200 | 2,500 | 3,000 |
| Durum | | | | | |
| Production | | 1,700 | 2,000 | 2,000 | 1,800 |
| Consumption | | 1,700 | 2,000 | 2,000 | 1,800 |
| Barley | | | | | |
| Production | | 1,680 | 1,470 | 1,460 | 1,500 |
| Consumption | | 1,680 | 1,470 | 1,460 | 1,500 |
| Corn | | | | | |
| Production | | 10,680 | 11,470 | 11,500 | 12,000 |
| Consumption | | 10,853 | 11,350 | 11,700 | 11,850 |
| Imports | | 175 | 250 | 400 | 100 |
| Exports | | 2 | 0 | 50 | 200 |
| Soybeans | | | | | |
| Production | | 6,000 | 5,200 | 5,250 | 5,600 |
| Crush | | 5,400 | 4,400 | 4,530 | 4,800 |
| Rapeseed//Mustard Seed | | | | | |
| Production | | 4,900 | 5,110 | 3,725 | 4,600 |
| Crush | | 3,900 | 4,300 | 3,740 | 4,000 |
| Chick Peas | | | | | |
| Production | | 6,800 | 5,080 | 3,870 | 4,500 |
| Consumption | | 6,688 | 5,139 | 4,420 | 4,900 |
| Imports | | 112 | 59 | 550 | 400 |
| Lentils | | | | | |
| Production | | 850 | 900 | 870 | 850 |
| Consumption | | 828 | 914 | 930 | 920 |
| Imports | | 22 | 14 | 60 | 70 |
| Dry Peas | | | | | |
| Production | | 600 | 600 | 600 | 600 |
| Consumption | | 990 | 966 | 1,200 | 1,200 |
| Imports | | 390 | 366 | 600 | 600 |
| Dry Beans | | | | | |
| Production | | 3,000 | 3,400 | 4,340 | 4,200 |
| Consumption | | 3,097 | 3,500 | 4,440 | 4,300 |
| Imports | | 97 | 100 | 100 | 100 |

* except wheat (July-June) and soybeans (Nov.-Oct.)

f: forecast, USDA and AAFIC, October 2001

Source: USDA, FAO

INDIA: MINIMUM SUPPORT PRICES



For 2001-2002, soybean production is forecast to increase slightly to 5.6 Mt, but remain historically low. Although sufficient early season moisture increased seeded area, precipitation decreased sharply in August and September. Consumption is increasing as there has been a rise in health awareness by the urban Indian population. Soybeans are also widely used in feed on fish farms. Domestic crush is expected to rise 6%, in line with the projected increase in production.

Oilmeal

Oilmeal is produced from six sources of seed in India including soybeans, rapeseed/mustard seed, peanuts, sunflowerseed, cotton and copra. For 2001-2002, total oilmeal production is forecast to increase 7% to 11.8 Mt, largely due to the expected increase in rapemeal/mustard meal production.

Weaker export demand has led to decreased prices, encouraging domestic consumption of oilmeals. Domestic use has increased about 20% in the last 5 years due to the growing commercialization of the meat, dairy and poultry sectors. Total oilmeal consumption is forecast to increase to 11.5 Mt, up slightly from last year. Exports of oilmeal, consisting of 95% soymeal, are forecast at 2.3 Mt, slightly higher than 2000-2001. The government of India encourages oilmeal exports as a foreign exchange earner. Oilmeal is not imported as it is subject to a 19.6% tariff.

Edible Oil

India is the world's largest importer of vegoil, and the volume has been rising quickly in the last few years. Annual per capita consumption of oil is about 12 kg in India versus about 48 kg in North America, but it has increased substantially in the last 5 years. For 2001-2002, total edible oil consumption is expected to increase 15%, to 11.4 Mt. Due to increased demand for edible oils, and limited growth in domestic

Corn

Corn is typically planted in non-irrigated areas and on marginal land, with limited use of inputs during the "kharif" or summer monsoon season. However, about one-third of the corn is grown during the winter season under irrigated conditions. For 2001-2002, corn production is forecast to increase to 12 Mt, up 0.5 Mt from 2000-2001, due to a slight increase in harvested area. Corn consumption is expected to rise slightly to 11.9 Mt, largely through food use. Future consumption growth may be for feed and industrial purposes which accounts for less than one-third of the domestic use. Growth in the poultry sector and starch industry has slowed in 2000-2001, but the industry is still expanding, increasing the demand for corn. For 2001-2002, Indian corn imports, mainly from China, are forecast to decrease to 0.1 Mt, due to a decrease in domestic prices during the last year. High domestic prices in the previous two years had led to an increase in imports. On June 12, 2000, the government established a tariff rate quota for corn, under which imports up to 0.4 Mt in 2001-2002 are subject to a 15% duty and imports above that level face a 40% tariff. According to WTO terms, the tariff rate quota will increase by 50,000 tonnes (t) per year. Corn exports, mostly to Bangladesh, are forecast to increase in 2001-2002 to 0.2 Mt, due to lower domestic prices.

Oilseeds

Indian oilseed yields are among the lowest in the world, as the majority is grown on non-irrigated marginal land with low quality seed. Government support prices have supported the production of cereal grains over oilseeds in the last few years. Producers generally limit input use for oilseeds compared to cereals as profitable returns are less certain. India does not distinguish between mustard seed and

rapeseed. The lack of improved seed is attributed to the government's inability to pass the Plant Variety Protection Act in 1993 and again in 1999. No genetically modified (GM) oilseeds are currently grown, although a GM mustard seed is currently under development.

High import duties and domestic support prices have failed to increase the production of oilseeds in India.

About 85% of oilseed production is crushed, with the remainder used for food, feed, and seed. Rapeseed/mustard seed and other minor oilseeds are used in seasonings and pickling.

Soybean and rapeseed/mustard seed imports for domestic crushing are not viable due to the 40% import duty. Other oilseeds are rarely imported as crushers would be unable to sell the meal in the domestic market where prices have been pressured by weak export demand and the low growth in the feed sector.

For 2001-2002, Indian rapeseed/mustard seed production is forecast to increase to 4.6 Mt, up 23% from last year's drought reduced crop. A major contributing factor in this increase is that rapeseed/mustard seed has the highest domestic support price. Domestic crush is expected to rise 7%, from 2000-2001, as a result of the increase in production. Canadian mustard seed exports to India in 2001-2002 are expected to remain small due to low world palm oil prices and the high import tariff.

CANADA: AGRI-FOOD EXPORTS TO INDIA

| August-July crop year | 1997 -1998 | 1998 -1999 | 1999 -2000 | 2000 -2001f | 2001 -2002f |
|--------------------------|----------------------------|---------------|---------------|----------------|----------------|
| |thousand tonnes | | | | |
| Dry Peas | 175 | 382 | 210 | 480 | 380 |
| Chick Peas | 0 | 4 | 9 | 100 | 130 |
| Lentils | 2 | 11 | 11 | 17 | 25 |
| Mustard Seed | 0 | 5 | 7 | 5 | 5 |
| Canola Oil | 15 | 20 | 24 | * | * |
| Wheat | 18 | 5 | 0 | 0 | 0 |

* minimal

f: forecast, AAFC, October 2001

Source: Canadian Grain Commission

oilseed production, India is expected to import large quantities of oil, particularly palmoil and soyoil. Given the current growth in population and increased consumption, India is likely to remain the largest importer of edible oils over the medium-term. There are about 700 crushing plants which account for about 45% of the domestic crush and the remainder is crushed by over 80,000 small operators. The rise in demand for high quality oil meals has led to the expansion of crushing plants at the expense of the small scale processors.

Total Indian oil production is forecast at about 5.4 Mt, up 10% from 2000-2001, of which rapeoil/mustard oil and soyoil are expected to account for 0.8 Mt and 1.3 Mt, respectively. Import duties have increased to 45% for soyoil and 55% for crude rapeoil/mustard oil and palmoil. The government has justified these increases as a means of protecting Indian producers, but this has merely provided a short-term solution to the problem of low oilseed productivity and has doubled the price of vegetable oil for Indian consumers.

For 2001-2002, imports are expected to be largely palmoil from Malaysia at 4.4 Mt and soyoil from Brazil, Argentina, and the U.S. totalling 1.3 Mt. Rapeoil/mustard oil imports are forecast at 100,000 t, with Canada's share of canola oil exports forecast to remain sharply lower than the 5-year average of 14,000 t, due to the reduction in world palmoil prices in the last two years. The majority of the rapeoil/mustard oil is expected to be imported from the EU.

Pulse Crops

There are a large number of pulse crops grown in India, which account for nearly 20% of India's arable land. Total pulse crop production varied between 12-14 Mt in recent years with average yields of 0.5 tonnes per hectare. Pulse crops are largely grown under non irrigated conditions, with only about 10% under irrigation. Pulse crop production declined marginally in 2000-2001 due to drought conditions at seeding time and a shortage of moisture in the large chick pea growing areas of Rajasthan, Madhya Pradesh, and Haryana. The growth in pulse crops production has been exceeded by

consumption, as production has not kept pace with population growth, despite increases in imports. The result has been a 30% decline in per capita consumption to 13 kilograms per year over the last 20 years and higher domestic prices. To add to the domestic availability and keep consumer prices from increasing, the government of India allows private traders to import all types of pulse crops with a 5% import duty.

Dry bean production is forecast at 4.2 Mt, down slightly from 2000-2001, with imports, largely from Myanmar, remaining flat at 0.1 Mt. Dry beans are a main source of protein in the Indian diet and are consumed at meals. In India, most of the dry beans produced are moong and black eye beans, which are not grown in Canada.

Chick peas are the largest pulse crop produced and the only pulse crop with a support price, second only to the rapeseed/mustard seed support price. For 2001-2002, chick pea production is forecast to increase about 15% to 4.5 Mt due to a return to average yields following the reduced production in 2000-2001. Consumption is forecast to be higher than last year at 4.9 Mt, as kabuli chick peas are mainly consumed whole and desi chick peas are made into fine flour which is mixed with wheat flour to make chapattis. India uses mainly desi chick peas. Kabuli chick peas are used as a substitute for desi chick peas at times. Due to the expected increase in production, India's total imports of chick peas are expected to be reduced slightly to 0.4 Mt, largely from Australia and Canada. However, for 2001-2002 Canadian exports of chick peas are forecast to increase to 130,000 t, up 30% from 2000-2001.

For 2001-2002, **dry pea** production is forecast to remain similar to last year at 0.6 Mt as consumption stays flat at 1.2 Mt. Dry peas are consumed at meals and for making snacks. Indian imports of dry peas are expected to remain at 0.6 Mt, largely from Canada with the remainder from the U.S., France, and Australia. Canadian dry pea exports to India are largely yellow pea varieties, but some green peas are exported as well. Canada's share of the dry pea market in India has been trending upwards in recent years, however, total Canadian exports to India are forecast to decrease slightly from 2000-2001 to 0.4 Mt, due to an

expected reduction in exportable Canadian dry pea supplies. Yellow peas are also used as a substitute for desi chick peas if the price of desi chick peas is too high.

Lentil consumption and imports are expected to be similar to last year at 920,000 t and 70,000 t, respectively, with Canadian exports of lentils increasing to 25,000 t in 2001-2002. Lentils are consumed with meals mainly in the eastern Indian states. Turkey is the other major lentil exporter to India.

Over the medium-term, India is expected to increase its imports of dry peas, chick peas, and lentils. Canada is expected to be well positioned to continue to service this expanding market.

For more information:

Bobby Morgan

Market Analyst

Phone: (204) 984-0680

E-mail: morganb@em.agr.ca

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**Market Analysis Division,
Marketing Policy Directorate,
Strategic Policy Branch,
Agriculture and Agri-Food Canada,
500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524**

**Director: Maggie Liu
Chief: Fred Oleson**

Editor: Gordon MacMichael

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CANADA: GRAINS AND OILSEEDS OUTLOOK

OCTOBER 11, 2001

Production of grains and oilseeds in Canada in 2001-02 is estimated by Statistics Canada (STC) at only 50.5 million tonnes (Mt) compared to 61.6 Mt in 2000-01 and the 10-year average of 60.5 Mt. In Western Canada, 2001-02 production has fallen by 23% from 2000-01. In Alberta and Saskatchewan, yields were well below average, due to drought. In Manitoba, yields were also below normal, as excess moisture stressed the crops and increased disease pressure. In eastern Canada, production is estimated to increase by only 3% from the extremely low level of 2000-01. In much of eastern Canada, dry conditions have resulted in below normal yields for corn and soybeans.

In Western Canada, the proportion of the wheat and durum crops falling into the top two grades is well above normal due to the hot dry growing season and dry weather at harvest. Protein levels are high, with preliminary Canadian Grain Commission data indicating an average protein content for No.1 CWRS wheat of 14.4%, a full percentage point above average. Total Canadian exports of grains and oilseeds are forecast by AAFC to fall by 15%, to 23.5 Mt, although exports of durum wheat, corn and flaxseed are expected to increase. Prices for all Canadian grains and oilseeds are expected to be higher than in 2000-01.

WHEAT (ex-durum)

For 2001-02, supplies are down by 11% from the previous year. Despite a 9% increase in seeded area, drought in Alberta and Saskatchewan has lowered production by 16%, to 17.8 Mt, the lowest since 1988-89. This is only partly offset by higher carry-in stocks. Exports are forecast to fall by 10%, to 12 Mt, well below the 10-year average of 15.6 Mt. Feed use is expected to decline due to tight supplies and good quality. Carry-out stocks are expected to fall to 5.0 Mt, the lowest since 1995-96. The Canadian Wheat Board (CWB) Sept. 2001-02 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein has been lowered by \$14/t from Aug, to \$193/t, in-store Vancouver/St. Lawrence, \$9/t above 2000-01. Ontario winter wheat production is down by 23%, at 1.1 Mt, but quality is good. The Ontario Wheat Producers' Marketing Board's Projected Pool Return for No.1 CEWW wheat is \$135-145/t, vs. the 2000-01 final realized price of \$110/t.

DURUM

For 2001-02, supplies have decreased by 22% from 2000-01 to 5.8 Mt, vs. the 10-year average of 6.2 Mt, despite record carry-in stocks. Production has fallen by almost 50%, to the lowest level since 1988-89, due to a combination of a lower seeded area and drought. Exports are forecast to rise by 9%, to 3.8 Mt, due to lower production in the EU and US. Carry-out stocks are projected to drop to 1.1 Mt. The CWB Sept. 2001-02 PRO for No.1 CWAD 11.5% protein is \$254/t, I/S VC/SL, an increase of \$12/t from Aug, and \$11/t higher than 2000-01. The premium over No.1 CWRS 11.5% is \$61/t, vs. \$59/t in 2000-01 and the 10-year average of \$43/t.

BARLEY

For 2001-02, supplies are at the lowest level since 1986-87. Production has fallen by 18% from 2000-01, due to lower yields, lower seeded area, and increased abandonment. Exports of both feed and

malting barley are expected to decline. Feed use is expected to fall dramatically. Carry-out stocks are forecast to decline sharply, to the lowest levels of recent times. The CWB Sept. PRO for No.1 CW Feed Barley is \$178/t, up \$35/t from 2000-01. Prices for malting barley are forecast to increase, as the lower supplies are expected to result in an increased portion of sales to high priced markets. The CWB Sept. PRO for Special Select 2-Row Designated barley is \$217/t, vs the 2000-01 PRO of \$202/t.

OATS

For 2001-02, supplies have decreased by 19% from 2000-01. Production has fallen by 16% despite increased seeded area. Light-weight oats have been reported in Manitoba, limiting supplies for domestic milling and the export market. Exports are forecast to decrease as a result. Carry-out stocks are forecast to fall to the lowest level in recent times. Oat prices are forecast to increase from 2000-01, due to lower stocks and higher US corn prices.

CORN

For 2000-01, imports rose to 2.85 Mt, nearly twice as high as the previous record, as production fell due to cool and wet growing conditions. For 2001-02, production is estimated to increase due to higher seeded area, although dry conditions resulted in below normal yields. Imports of US corn into western Canada are forecast to increase dramatically due to reduced barley supplies, while imports into eastern Canada are forecast to decline but remain high. Domestic use is expected to increase as a result of higher corn feeding in western Canada. Ontario corn prices are expected to rise due to higher US prices, with Ontario corn expected to continue to be priced on an import competitive basis.

CANOLA

For 2001-02, supplies are expected to decrease by about 35% to 6.1 Mt, the

lowest since 1992-93, because of lower production and carry-in stocks. Exports are forecast to fall by about 40%, to 2.9 Mt, mainly due to lower shipments to China. Domestic crush is also expected to drop sharply, to 2.4 Mt, due to tight supplies. Carry-out stocks are projected to decline by 62%, to the very low level of 0.4 Mt, the lowest level since 1993-94. Canola prices are forecast to increase by about 20%.

FLAXSEED (excluding solin)

For 2001-02, supplies are expected to decrease by 9% as lower carry-in stocks more than offset the marginal increase in production. Exports are forecast to increase due to increased import demand from the EU. Carry-out stocks are expected to decline and prices are forecast to increase by about 20%.

SOYBEANS

For 2000-01, exports are forecast to decline due to increased competition from the US and South America. For 2001-02, due to lower domestic supply, imports are expected to increase significantly. Production decreased significantly because of sharply lower yields, resulting from insufficient moisture and insect infestations. Domestic use is expected to fall due to a decrease in crush. Exports are forecast to decline as a result of tight supplies. Carry-out stocks are expected to fall sharply. Chatham prices are forecast to increase slightly, mainly due to higher US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-maillennoxg@em.agr.ca
Coarse Grains.....Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca
www.agr.gc.ca/mad-dam/

CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

OCTOBER 11, 2001

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1999-2000 | 1,769 | 2.45 | 4,341 | 9 | 6,288 | 3,575 | 263 | 422 | 937 | 1,775 | 207 |
| 2000-2001 | 2,614 | 2.16 | 5,647 | 10 | 7,432 | 3,487 | 268 | 591 | 1,073 | 2,873 | 243 * |
| 2001-2002 F | 2,050 | 1.42 | 2,905 | 5 | 5,783 | 3,800 | 273 | 335 | 883 | 1,100 | 254 * |
| Wheat Except Durum | | | | | | | | | | | |
| 1999-2000 | 8,606 | 2.63 | 22,600 | 6 | 28,093 | 14,737 | 2,697 | 3,865 | 7,391 | 5,964 | 168 |
| 2000-2001 | 8,349 | 2.53 | 21,157 | 50 | 27,171 | 13,269 | 2,805 | 3,864 | 7,567 | 6,335 | 184 * |
| 2001-2002 F | 8,922 | 1.99 | 17,791 | 50 | 24,176 | 12,000 | 2,803 | 3,515 | 7,176 | 5,000 | 193 * |
| All Wheat | | | | | | | | | | | |
| 1999-2000 | 10,375 | 2.60 | 26,941 | 14 | 34,380 | 18,313 | 2,960 | 4,287 | 8,329 | 7,739 | |
| 2000-2001 | 10,963 | 2.44 | 26,804 | 60 | 34,604 | 16,756 | 3,073 | 4,455 | 8,640 | 9,208 | |
| 2001-2002 F | 10,971 | 1.89 | 20,695 | 55 | 29,958 | 15,800 | 3,076 | 3,850 | 8,058 | 6,100 | |
| Barley | | | | | | | | | | | |
| 1999-2000 | 4,069 | 3.24 | 13,196 | 33 | 15,966 | 2,392 | 393 | 9,902 | 10,736 | 2,838 | 110 |
| 2000-2001 | 4,551 | 2.96 | 13,468 | 38 | 16,344 | 2,624 | 383 | 10,446 | 11,266 | 2,454 | 129 |
| 2001-2002 F | 4,376 | 2.54 | 11,103 | 70 | 13,627 | 1,700 | 385 | 9,387 | 10,227 | 1,700 | 140-170 |
| Corn | | | | | | | | | | | |
| 1999-2000 | 1,141 | 8.03 | 9,161 | 1,023 | 11,069 | 226 | 2,020 | 7,240 | 9,291 | 1,552 | 107 |
| 2000-2001 | 1,088 | 6.27 | 6,827 | 2,845 | 11,224 | 100 | 2,145 | 8,065 | 10,244 | 880 | 120 |
| 2001-2002 F | 1,208 | 6.40 | 7,730 | 2,800 | 11,410 | 150 | 2,225 | 8,203 | 10,460 | 800 | 125-155 |
| Oats | | | | | | | | | | | |
| 1999-2000 | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,532 | 191 | 1,728 | 2,079 | 1,122 | 128 |
| 2000-2001 | 1,299 | 2.61 | 3,389 | 8 | 4,519 | 1,759 | 115 | 1,630 | 1,920 | 840 | 132 |
| 2001-2002 F | 1,338 | 2.12 | 2,838 | 4 | 3,682 | 1,475 | 150 | 1,489 | 1,807 | 400 | |
| Rye | | | | | | | | | | | |
| 1999-2000 | 169 | 2.29 | 387 | 4 | 557 | 85 | 69 | 223 | 311 | 161 | |
| 2000-2001 | 115 | 2.27 | 260 | 5 | 426 | 89 | 66 | 166 | 249 | 88 | |
| 2001-2002 F | 104 | 2.10 | 218 | 5 | 311 | 80 | 66 | 79 | 166 | 65 | |
| Mixed Grains | | | | | | | | | | | |
| 1999-2000 | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001 | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002 F | 139 | 2.71 | 376 | 0 | 376 | 0 | 0 | 376 | 376 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1999-2000 | 6,930 | 3.87 | 26,832 | 1,064 | 32,772 | 4,235 | 2,673 | 19,539 | 22,864 | 5,673 | |
| 2000-2001 | 7,181 | 3.39 | 24,327 | 2,896 | 32,896 | 4,572 | 2,709 | 20,689 | 24,061 | 4,262 | |
| 2001-2002 F | 7,165 | 3.11 | 22,265 | 2,879 | 29,406 | 3,405 | 2,826 | 19,534 | 23,036 | 2,965 | |
| Canola | | | | | | | | | | | |
| 1999-2000 | 5,564 | 1.58 | 8,798 | 124 | 9,556 | 3,885 | 2,983 | 493 | 3,515 | 2,156 | 288 |
| 2000-2001 | 4,816 | 1.48 | 7,119 | 224 | 9,499 | 4,838 | 3,013 | 562 | 3,607 | 1,054 | 291 |
| 2001-2002 F | 3,829 | 1.25 | 4,789 | 250 | 6,093 | 2,900 | 2,400 | 348 | 2,793 | 400 | 340-370 |
| Flaxseed | | | | | | | | | | | |
| 1999-2000 | 777 | 1.32 | 1,022 | 2 | 1,175 | 568 | n/a | n/a | 221 | 386 | 237 |
| 2000-2001 | 591 | 1.17 | 693 | 11 | 1,090 | 613 | n/a | n/a | 204 | 273 | 261 |
| 2001-2002 F | 652 | 1.08 | 704 | 10 | 987 | 700 | n/a | n/a | 137 | 150 | 305-335 |
| Soybeans | | | | | | | | | | | |
| 1999-2000 | 1,004 | 2.77 | 2,781 | 455 | 3,478 | 948 | 1,712 | 493 | 2,277 | 252 | 256 |
| 2000-2001 | 1,061 | 2.55 | 2,703 | 430 | 3,385 | 750 | 1,697 | 689 | 2,455 | 180 | 256 |
| 2001-2002 F | 1,027 | 1.99 | 2,040 | 650 | 2,870 | 650 | 1,650 | 400 | 2,120 | 100 | 250-280 |
| Total Oilseeds | | | | | | | | | | | |
| 1999-2000 | 7,345 | 1.72 | 12,602 | 581 | 14,208 | 5,401 | 4,695 | 987 | 6,013 | 2,794 | |
| 2000-2001 | 6,468 | 1.63 | 10,515 | 665 | 13,974 | 6,202 | 4,710 | 1,251 | 6,265 | 1,507 | |
| 2001-2002 F | 5,507 | 1.37 | 7,533 | 910 | 9,950 | 4,250 | 4,050 | 748 | 5,050 | 650 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1999-2000 | 24,650 | 2.69 | 66,374 | 1,659 | 81,361 | 27,949 | 10,329 | 24,813 | 37,206 | 16,206 | |
| 2000-2001 | 24,612 | 2.50 | 61,646 | 3,621 | 81,473 | 27,529 | 10,492 | 26,394 | 38,967 | 14,977 | |
| 2001-2002 F | 23,643 | 2.13 | 50,493 | 3,844 | 69,314 | 23,455 | 9,952 | 24,132 | 36,144 | 9,715 | |

(a) Aug.-July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver); Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (No. 3 CW, WCE cash Track Minneapolis - contact was delisted from the WCE on May 31, 2001); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

CWB PRO: September, 2001. Prices for No.1 CWRS and No.1 CWAD with 11.5% protein for 2000-01 and 2001-02. This is comparable to prices for 1999-00 and previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

F: forecast, Agriculture and Agri-Food Canada, October 11, 2001

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: SPECIAL CROPS OUTLOOK

OCTOBER 11, 2001

Total Canadian production of special crops in 2001-02 is estimated to decrease by 21% to 3.91 million tonnes (Mt), based on Statistics Canada's September production estimate for dry peas, lentils, mustard seed and canary seed, and AAFC's forecast for dry beans, chick peas, sunflower seed and buckwheat. For most special crops, lower yields and higher abandonment rates, because of drought in most of Saskatchewan and Alberta, and insufficient moisture in Ontario, more than offset the increase in seeded area. The special crops harvest is nearly complete, with the exception of sunflower seed.

Despite projected lower exports and domestic use, carry-out stocks are forecast to fall sharply due to lower supplies. Compared to 2000-01, average prices are forecast to increase for dry peas, lentils, dry beans, mustard seed, canary seed, sunflower seed and buckwheat, but decrease for chick peas.

DRY PEAS

Canadian production decreased by 24%, as the higher harvested area was more than offset by lower yields. Production of the yellow and green types decreased proportionately. The quality is generally good, but there are reports of bleaching in some green peas. Total supply decreased by 27%. Total world supply is forecast to decrease by 8% to 10.6 Mt, due to lower world production, mainly because of lower Canadian production, and carry-in stocks. Canadian exports and domestic use are forecast to decrease because of lower supply. Carry-out stocks are forecast to decrease to a very low level. The average price over all types, grades and markets is forecast to increase by about 25%, due to the lower Canadian and world supply.

LENTILS

Canadian production decreased by 32%, as the slightly higher harvested area was more than offset by lower yields. Production of all types decreased, with large decreases for the green types and a small decrease for the red type. The quality is generally good, but, on average, the seed size for large green lentils is smaller than in 2000-01. Total supply is forecast to decrease by only 17% because of higher carry-in stocks. Total world supply is forecast to decrease by 2% to 3.4 Mt, as lower production in Canada more than offsets higher production in the Middle East and higher world carry-in stocks. Canadian exports are expected to decrease, as Canada's share of total world supply decreases to 24.4% from 28.7% in 2000-01. Carry-out stocks are forecast to decrease, with a s/u ratio of 12%. The average price, over all types and grades, is forecast to increase slightly because of higher expected prices for the large green type.

DRY BEANS

Canadian production is forecast to be similar to 2000-01, as a slightly lower harvested area is offset by slightly higher yields. Production of white pea and coloured beans is forecast to be similar to 2000-01, at about 110,000 t and 160,000 t, respectively. The quality is generally good, but the size of kidney and cranberry beans is more variable than in 2000-01 and, on average, smaller. Total supply is expected to decrease by 5% because of lower carry-in stocks and imports. Exports are forecast to increase because of a smaller world supply

for the classes of dry beans produced in Canada. Carry-out stocks are expected to decrease significantly to a very low level. US production is expected to decrease by about 20%. Total US and Canadian supply is expected to decline by nearly 25%. Therefore, the average price, over all classes and grades, is forecast to increase by about 25%.

CHICK PEAS

Canadian production is forecast to increase by 29%, as a larger harvested area more than offsets lower yields. The largest increase in production is expected for the small kabuli type, with a smaller increase for the large kabuli type. Production of the desi type is expected to decrease. The quality is generally good and better than in 2000-01, although the seed size of the large kabuli type is, on average, smaller than in 2000-01. Total supply is forecast to increase by 29%. Total world supply is forecast to increase by 9% to 7.6 Mt, due to higher expected production in Canada, the Middle East, India and Australia. Canada's share of total world supply is expected to increase to 6.8% from 5.8% in 2000-01. Canadian exports are forecast to increase sharply because of strong demand, especially during the first half of 2001-02, and the increase in Canada's share of world total supply. Carry-out stocks are forecast to increase with a s/u ratio of 10%. The average price, over both kabuli and desi types and all sizes and grades, is forecast to decrease by about 5%, as pressure from higher world supply is partly offset in Canada by higher quality and a shift to the production of the higher priced kabuli type.

MUSTARD SEED

Canadian production decreased by 46% due to lower harvested area and yields. The quality is generally good. Production decreased sharply for the oriental and brown types, but was stable for the yellow type. However, carry-in stocks for the yellow type were much lower than for the brown and oriental types. Total supply is forecast to decrease by 34%. Exports are expected to decrease because of the lower supply. Carry-out stocks are forecast to decrease sharply to a very low level. The average price, over all types and grades, is forecast to increase by about 35% because of the lower supply and a shift to the production of the higher priced yellow type.

CANARY SEED

Canadian production decreased by 36%, due to lower harvested area and yields. Total supply decreased by 31%. The quality is generally good. Total world supply is forecast to decrease by 26% to 245,000 t. Canadian exports are expected to decrease because of the smaller supply. Carry-out stocks are forecast to decrease sharply to a very low level. The average price is forecast to rise by about 85%.

SUNFLOWER SEED

Canadian production is forecast to decrease by 8%, due to lower harvested area and yields. Production of confectionary type is expected to decrease by 5% to 85,000 t, while production of the oil type drops by 17% to 25,000 t. The quality is expected to be good, although only a small portion has been harvested. The late harvest is normal for sunflower seed. Total supply is forecast to decrease by 12%. Total world supply is forecast to decrease by 8% to 22.9 Mt. US total supply of the confectionary type is expected to remain stable, while the total supply of the oilseed type decreases. Canadian exports and domestic use are expected to increase slightly. Carry-out stocks are forecast to decrease significantly to a very low level. Stronger world demand is expected to support prices. Therefore, the average Canadian price over both confectionary and oilseed types is forecast to increase by about 5%.

BUCKWHEAT

Canadian production is forecast to remain stable, as lower harvested area is offset by higher yields, because the crop is produced mainly in Manitoba. The quality is generally good. Total supply and use are forecast to decrease. The average price over all grades and markets is forecast to increase slightly, in line with a slightly lower world total supply of about 3.1 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mail skrypetzs@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mail.....olesonf@em.agr.ca

CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS

OCTOBER 11, 2001

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,974 | 1,116 | 523 | 335 | 180 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 E | 1,220 | 2.35 | 2,864 | 11 | 3,275 | 2,100 | 980 | 195 | 137 |
| 2001-2002 F | 1,397 | 1.56 | 2,175 | 10 | 2,380 | 1,500 | 850 | 30 | 155-185 |
| Lentils | | | | | | | | | |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 523 | 349 | 109 | 65 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 E | 688 | 1.33 | 914 | 5 | 999 | 570 | 223 | 206 | 295 |
| 2001-2002 F | 693 | .90 | 623 | 5 | 834 | 560 | 184 | 90 | 290-320 |
| Dry Beans | | | | | | | | | |
| 1997-1998 | 90 | 1.82 | 163 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 E | 165 | 1.62 | 268 | 40 | 348 | 250 | 63 | 35 | 465 |
| 2001-2002 F | 162 | 1.67 | 270 | 25 | 330 | 260 | 65 | 5 | 570-600 |
| Chick Peas | | | | | | | | | |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 E | 283 | 1.37 | 387 | 5 | 407 | 200 | 187 | 20 | 410 |
| 2001-2002 F | 480 | 1.04 | 500 | 5 | 525 | 290 | 185 | 50 | 380-410 |
| Mustard Seed | | | | | | | | | |
| 1997-1998 | 292 | .83 | 243 | 2 | 283 | 166 | 69 | 48 | 385 |
| 1998-1999 | 279 | .86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 E | 208 | .97 | 202 | 1 | 318 | 155 | 63 | 100 | 280 |
| 2001-2002 F | 133 | .83 | 110 | 1 | 211 | 150 | 56 | 5 | 370-400 |
| Canary Seed | | | | | | | | | |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 245 | 134 | 47 | 64 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 E | 164 | 1.04 | 171 | 0 | 261 | 171 | 20 | 70 | 265 |
| 2001-2002 F | 141 | .78 | 110 | 0 | 180 | 155 | 20 | 5 | 470-500 |
| Sunflower Seed | | | | | | | | | |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 88 | 45 | 40 | 3 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 E | 69 | 1.72 | 119 | 17 | 177 | 77 | 69 | 31 | 320 |
| 2001-2002 F | 65 | 1.69 | 110 | 15 | 156 | 80 | 71 | 5 | 325-355 |
| Buckwheat | | | | | | | | | |
| 1997-1998 | 14 | 1.14 | 16 | 1 | 19 | 9 | 9 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 E | 15 | .93 | 14 | 1 | 16 | 9 | 7 | 0 | 305 |
| 2001-2002 F | 13 | 1.08 | 14 | 1 | 15 | 8 | 7 | 0 | 295-325 |
| Total Special Crops (c) | | | | | | | | | |
| 1997-1998 | 1,748 | 1.57 | 2,743 | 54 | 3,343 | 1,949 | 862 | 532 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,299 | 2,634 | 1,034 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 E | 2,812 | 1.76 | 4,939 | 80 | 5,801 | 3,532 | 1,612 | 657 | |
| 2001-2002 F | 3,084 | 1.27 | 3,912 | 62 | 4,631 | 3,003 | 1,438 | 190 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed, sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

E: estimate F: forecast, Agriculture and Agri-Food Canada, October 11, 2001

Source: Statistics Canada and industry consultations.

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | | As of Monday October 8, 2001 | | | | | | | | | |
|---|------------------|-----------------|--------|--------|--------|------------|-------------|------------------|-------------|-------------|-----------|------------|------------|-------------|-----------|--------------|--------------|------------------------------|--|--|--|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL-48% | CANOLA MEAL | MILL- FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | | | | | | | | | | |
| Vancouver B.C. | This week | FOB | 178.16 | N/A | 185.16 | 179.00 | | 343.50 | (7) 243.00 | 139.00 | 355.00 | (4) 825.00 | 430.00 | | | | 440.00 | | | | | | | | | | |
| | Week ago | | 173.16 | N/A | 179.16 | 168.00 | | 333.50 | (7) 224.50 | 139.00 | 365.00 | (4) 825.00 | 450.00 | | | | 440.00 | | | | | | | | | | |
| Calgary | This week | FOB | 155.00 | N/A | 162.00 | 156.00 | | 338.00 | N/A | | 315.00 | (4) 875.00 | 465.00 | | | | 440.00 | | | | | | | | | | |
| Alta | Week ago | | 150.00 | N/A | 156.00 | 167.00 | | 325.50 | N/A | | 325.00 | (4) 875.00 | 485.00 | | | | 440.00 | | | | | | | | | | |
| Saskatoon | This week | FOB | 148.50 | 205.00 | 144.00 | 148.00 | | 331.50 | 226.00 | | 315.00 | (4) N/A | 485.00 | | 198.00 | | 470.00 | | | | | | | | | | |
| Sask. | Week ago | | 146.50 | 187.50 | 143.50 | 149.00 | | 321.50 | 216.00 | | 325.00 | (4) N/A | 485.00 | | 189.67 | | 470.00 | | | | | | | | | | |
| Melfort Sask. | This week | FOB | 153.00 | 213.52 | 145.20 | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 150.20 | 196.82 | 146.00 | | | | | | | | | | | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | 107.75 | 169.13 | 135.20 | 135.00 | | 314.50 | 216.00 | | 310.00 | (4) 890.00 | 435.00 | | | | 420.00 | | | | | | | | | | |
| | Week ago | | 107.75 | 169.13 | 135.20 | 135.00 | | 305.00 | 206.00 | | 315.00 | (4) 890.00 | 435.00 | | | | 420.00 | | | | | | | | | | |
| Thunder Bay Ont. | This week | In-store | 159.00 | 231.62 | 156.20 | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 157.20 | 215.01 | 158.00 | | | | | | | | | | | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board Vessel | | | | 131.10 | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 132.09 | | | | | | | | | | | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | 172.50 | 256.00 | 158.00 | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 168.20 | 255.00 | 158.00 | | | | | | | | | | | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | 148.12 | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 148.61 | | | | | | | | | | | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | 303.00 | (5) N/A | 455.00 | 515.00 | 154.00 | 235.00 | 430.00 | | | | | | | | | | |
| | Week ago | | | | | | FOB | | | | 305.00 | (5) N/A | 455.00 | 515.00 | 154.00 | 235.00 | 430.00 | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | | 333.45 | N/A | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | 328.93 | N/A | | | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 137.25 | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 136.83 | | | | | | | | | | | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | FOB | 336.69 | 239.64 | 120.00 | 306.00 | (5) 795.00 | 303.00 | 515.00 | 156.00 | 225.00 | 450.00 | | | | | | | | | | |
| | Week ago | | | | | | | 339.99 | 235.84 | 118.33 | 303.00 | (5) 795.00 | 314.00 | 515.00 | 156.00 | 225.00 | 450.00 | | | | | | | | | | |
| Trois-Riv. Que. | This week | In-store | 190.00 | | 193.00 | 151.27 | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 190.00 | | 193.00 | 152.55 | | | | | | | | | | | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | 160.75 | 156.00 | 169.33 | (2) 138.67 | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 158.60 | 150.00 | 161.67 | (2) 137.98 | | | | | | | | | | | | | | | | | | | | | |
| St-Hyacinthe, Que. | This week | In-store | 187.00 | | 189.50 | 155.47 | FOB | 332.64 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 185.70 | | 189.50 | 155.31 | | 332.05 | | | | | | | | | | | | | | | | | | | |
| Quebec Que. | This week | Track | 213.42 | 203.06 | 210.92 | 189.75 | FOB | 356.43 | 256.56 | | 340.00 | | 415.00 | | | | 450.00 | | | | | | | | | | |
| | Week ago | | 215.39 | 203.06 | 210.27 | 191.97 | | 356.92 | 248.14 | | 340.00 | | 415.00 | | | | 445.00 | | | | | | | | | | |
| Truro N.S. | This week | Water | N/A | N/A | N/A | 190.55 | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | N/A | N/A | N/A | 193.00 | | | | | | | | | | | | | | | | | | | | | |
| Truro N.S. | This week | & Truck | N/A | N/A | N/A | 193.00 | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | N/A | N/A | N/A | 193.00 | | | | | | | | | | | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | N/A | N/A | N/A | 181.55 | FOB | | | 296.50 | | (5) 775.00 | | | | | | | | | | | | | | | |
| | Week ago | | N/A | N/A | N/A | 184.00 | | | | 296.50 | | (5) 750.00 | | | | | | | | | | | | | | | |
| Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5616 as of October 5, 2001 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Thunder Bay prices are based on the Winnipeg Commodities Exchange market close | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat. No.1 Feed Oats. No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (1) Wheat 3C-WRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 6.8% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5616 as of October 5, 2001
 Thunder Bay prices are based on the Winnipeg Commodities Exchange market close
 Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.
 (1) Wheat 3C.WRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

| B. CASH PRICES AND REPLACEMENT VALUES | | | | As of Monday October 8, 2001 | | | | |
|---------------------------------------|---------------------|--------------------------|--------|------------------------------|----------|-----------|----------|--------|
| PRAIRIE GRAINS | | | | | | | | |
| SELECTED POINT | | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO | |
| From: | Thunder Bay 2 | In-Store | WHEAT | 159.00 | 157.20 | | 145.00 | 123.50 |
| | | | OATS | 231.62 | 215.01 | | 191.61 | 110.66 |
| | | | BARLEY | 156.20 | 158.00 | | 158.00 | 110.50 |
| To: | Bayports, Ont. | In-store | WHEAT | 182.10 | 180.30 | 1. | 168.10 | 146.60 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 183.35 | 185.15 | 1. | 185.15 | 137.65 |
| | Montreal, Que. | In-store | WHEAT | 186.85 | 185.05 | 1. | 172.85 | 151.35 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 188.47 | 190.27 | 1. | 190.27 | 142.77 |
| | Moncton, N.B | Truck via Halifax | WHEAT | 209.32 | 207.52 | | 195.32 | 173.82 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 214.83 | 216.63 | | 216.63 | 169.13 |
| | Truro, N.S. | Truck via Halifax | WHEAT | 206.82 | 205.02 | | 192.82 | 171.32 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 209.95 | 211.75 | | 211.75 | 164.25 |
| | Halifax, N.S. | In-store | WHEAT | 194.15 | 192.35 | 1. | 180.15 | 158.65 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 196.27 | 198.07 | 1. | 198.07 | 150.57 |
| | Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 253.93 | 252.13 | | 239.93 | 218.43 |
| | | | OATS | 337.82 | 321.21 | | 297.81 | 216.86 |
| | | | BARLEY | 263.34 | 265.14 | | 265.14 | 217.64 |
| From: | Melfort, Sask. | FOB | WHEAT | 153.00 | 150.20 | | 147.00 | 110.50 |
| | | | OATS | 213.52 | 196.82 | | 173.48 | 89.85 |
| | | | BARLEY | 145.20 | 146.00 | | 144.00 | 100.50 |
| To: | Bayports, Ont. | Track | WHEAT | 202.15 | 199.35 | | 203.12 | 166.62 |
| | | | OATS | 270.41 | 253.71 | | 232.35 | 148.72 |
| | | | BARLEY | 194.90 | 195.70 | | 197.39 | 153.89 |
| | Montreal, Que. | Track | WHEAT | 202.91 | 200.11 | | 203.87 | 167.37 |
| | | | OATS | 274.13 | 257.43 | | 233.25 | 149.62 |
| | | | BARLEY | 195.72 | 196.52 | | 198.21 | 154.71 |
| | Moncton, N.B. | Track | WHEAT | 231.19 | 228.39 | | 225.05 | 188.55 |
| | | | OATS | 298.41 | 281.71 | | 256.59 | 172.96 |
| | | | BARLEY | N/A | N/A | | 210.32 | 166.82 |
| | Truro, N.S. | Track | WHEAT | 229.38 | 226.58 | | 225.22 | 188.72 |
| | | | OATS | 299.42 | 282.72 | | 257.56 | 173.93 |
| | | | BARLEY | N/A | N/A | | 223.94 | 180.44 |
| | Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 276.44 | 273.64 | | 268.56 | 232.06 |
| | | | OATS | 348.70 | 332.00 | | 304.94 | 221.31 |
| | | | BARLEY | N/A | N/A | | 272.23 | 228.73 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 131.10 | 132.09 | | 138.71 | 111.98 |
| To: Montreal, Que. (US Corn) | In-store | | 150.00 | 150.99 | 1. | 157.61 | 130.88 |
| From: Chicago (Mi) | Track | | 127.41 | 121.53 | | 126.37 | 104.30 |
| To: Montreal, Que. (US Corn) | Track | | 156.44 | 150.56 | | 153.91 | 131.84 |
| From: Chatham | Track | | 148.12 | 148.61 | | 150.29 | 114.76 |
| To: Montreal, Que. | Track | | 171.50 | 171.99 | | 173.18 | 137.65 |

| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 333.45 | 328.93 | | 323.30 | 305.23 |
| To: Montreal, Que. | Track | | 357.87 | 353.35 | | 345.77 | 327.70 |
| Moncton, N.B. | Track | | 381.08 | 376.56 | | 363.08 | 345.01 |
| Truro, N.S. | Track | | 379.91 | 375.39 | | 366.05 | 347.98 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 428.71 | 424.19 | | 415.31 | 397.24 |

1. Prices include one month of storage and interest charges
n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

November 23, 2001 Volume 14 Number 19

PROTEIN MEAL: SITUATION AND OUTLOOK / CANADA: SOYBEANS

PROTEIN MEAL: SITUATION AND OUTLOOK

Over the past decade, protein meal production and usage have increased sharply worldwide. This is the result of increased crush capacity, mainly in South America and Asia, and to higher per-capita consumption of meat, particularly in China. Trade in protein meal has increased at a slower pace with Argentina retaining its position as the world's dominant exporter and the European Union (EU) as the largest importer. In Canada, supplies of protein meal increased over the past few years as a result of increased production and imports. For 2001-2002, supplies of protein meal in Canada are forecast to decrease due to the expected decline in canola crush. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for protein meal.

SITUATION: 2001-2002

Protein meal is derived from the crushing of oilseeds, and is affected by conditions in the vegoil and oilseed markets. (For a full discussion, refer to *Bi-weekly Bulletin* Volume 11 Number 8).

PRODUCTION

Over the past decade, **world** protein meal production has steadily trended upwards, with the last decline in output occurring in 1988-1989. For 2001-2002, world protein meal production is forecast to rise by about 3% primarily due to an expected increase in oilseed processing in China and South America, along with smaller increases in crushing in the EU and the United States (U.S.). The projected percentage distribution of protein meal production, by type, is: soymeal (67), canola meal/rapemeal (12), cottonseed (7), sunmeal (5), fishmeal (3), peanut meal (3), palm kernel meal (2), and copra meal (1).

Production of soymeal is expected to increase by 6 million tonnes (Mt), cottonseed by almost 1 Mt, with peanut and palm kernel rising by less than 1 Mt each. Canola meal/rapemeal, sunmeal, fishmeal, and copra are all expected to decline by less than 1 Mt each for 2001-2002.

The **U.S.** is forecast to be the largest producer of soymeal for 2001-2002, at 29% of total world production, although on a regional basis Latin America (Brazil, Argentina, and Mexico) is larger at 32% of the total world output. For 2001-2002, U.S. production of soymeal is projected to rise by about 0.4 Mt, to slightly over 36 Mt. Most of the incentive to increase U.S. crush is due to the increase in domestic supplies and improved crush margins. With U.S. crush margins being supported by a combination of higher soyoil prices and lower soybean prices, the production of soymeal is forecast to rise, despite the decline in the price of soymeal.

CONSUMPTION

World protein meal consumption has increased by 24% since 1997-1998, to a record forecast of about 182 Mt for 2001-2002, largely due to increased usage in China, the EU and the U.S. The growth in usage is due largely to the increased feeding of monogastric livestock (poultry and hogs), which has been growing at a faster rate than ruminant livestock (cattle). In the developed world, the increased demand for poultry and pork has been supported by health concerns as well as by the widely reported outbreaks of Bovine Spongiform Encephalopathy and Foot and Mouth Disease. As well, organizational changes have increased the efficiency of poultry and hog production. However, demand for beef has been supported by the increase in disposable incomes in North America, and by revised cooking techniques that shorten cooking times.

Since 1997-1998, **Asia** has surpassed

both the U.S. and the EU to become the world's largest consumer of soymeal. For 2001-2002, Asia is expected to consume 28% of the world's soymeal, a projected 35 Mt, which is an increase of 10 Mt over the past 5 years. The fastest rate of growth occurred in China, where annual domestic usage increased by over 6 Mt, to a projected 17 Mt for 2001-2002. This rise in consumption is the result of the rapid economic growth occurring in that country, which is reflected in a desire for an improved diet, which includes more meat. Increased meat consumption, along with improved livestock production techniques, is in turn raising the demand for protein meal.

EU consumption of soymeal increased by 16% since 1997-1998, to over 28 Mt projected for 2001-2002. This has partly occurred at the expense of sunmeal consumption declining to 3.2 Mt from 4.6 Mt in 1997-1998. Usage of sunmeal has been restricted by the drop in raw seed supplies. The growth in consumption of soymeal has been stimulated by lower prices and by banning meat and bone meals in livestock rations. As a result, feed mills are expected to substitute an extra 1.0-2.0 Mt a year of soymeal into livestock rations.

had announced that it would approve the production of GM soybeans, but has rescinded its decision. Brazil has been regarded as the only large scale supplier of non-GM protein meal in the world, which is supporting its exports into the EU and to a certain extent, China. Exports of soymeal are forecast to increase by 6%, to 10.9 Mt for 2001-2002.

Soymeal output in **Argentina** is forecast at 15.1 Mt for 2001-2002, an increase of 1.1 Mt from 2000-2001, in line with the increase in soybean supplies. Argentina is also a major producer of GM soybeans and soymeal. With Argentina in the midst of a severe economic recession, the processing of soybeans and exports of soyoil and soymeal are encouraged as a means of earning the currency required to support the balance of payments and repay foreign loans. However, crushers are being pressured by high energy costs which is eroding the profitability of processing. Argentina is expected to remain the world's largest exporter of soymeal, with 35% of the world market for soymeal exports in 2001-2002. Exports are forecast to rise by 6% to 14.8 Mt, mostly to the EU and Asia.

MAJOR EXPORTERS

U.S. exports of soymeal are projected to decline slightly for 2001-2002, as it loses market share to South America.

Exports are pressured by the high value of the U.S. dollar and by the genetically modified organism (GMO) content of the soymeal as resistance to recombinant GMO remains strong in the EU.

Consequently, domestic consumption of soymeal is forecast to increase by 2% to a record high of 29 Mt due to the combination of increased supplies, reduced prices and strong livestock feeding. U.S. usage is expected to be supported by the 7% increase in feedlot placements, as indicated in the United States Department of Agriculture (USDA), *Cattle on Feed Report*. Most of the 1.8 million head increase is due to the increased placement of heifers in feedlots, rather than being retained for breeding, as livestock producers continue to scale back their breeding cow inventories.

Brazilian production of soymeal is projected to rise by 4%, to over 18 Mt, as processors take advantage of ample domestic supplies, the relatively low value of the *real* and strong EU demand for protein meal. Brazil

MAJOR IMPORTERS

The **EU** is expected to remain the dominant buyer of soymeal for 2001-2002, importing about half of the world's trade in soymeal. EU imports are forecast at 21 Mt, up slightly from 20 Mt for 2000-2001 but a significant increase from about 17 Mt for 1997-1998.

Asian imports of soymeal have declined from 9.7 Mt in 1997-1998, to a projected 7.8 Mt for 2001-2002, although above the 7.3 Mt imported in 2000-2001. The decline in soymeal imports is largely due to changes in Chinese policy as it switches to importing and processing raw soybeans. This shift has been supported by a 13% tariff on soymeal which was imposed in part to support the Chinese processing industry. However, this tariff is scheduled to be reduced upon China's entry to the World Trade Organization. When the entry is ratified, import tariffs for soymeal are expected to be reduced while import quotas for soyoil increase

WORLD: PROTEIN MEAL SUPPLY AND DISPOSITION

| | 2000 -2001 | 2001 -2002f | 2002 -2003f |
|---------------------------|---------------|----------------|----------------|
|million tonnes..... | | | |
| PRODUCTION | | | |
| Soymeal | 117.3 | 123.1 | 126.0 |
| Rapemeal | 21.5 | 20.8 | 22.0 |
| Other | 37.4 | 38.3 | 38.0 |
| Total | 176.2 | 182.2 | 186.0 |
| TRADE | | | |
| Soymeal | 40.9 | 42.5 | 42.0 |
| Rapemeal | 4.1 | 4.0 | 3.8 |
| Other | 11.5 | 11.3 | 10.2 |
| Total | 56.5 | 57.8 | 56.0 |
| CONSUMPTION | | | |
| Soymeal | 116.9 | 123.1 | 126.0 |
| Rapemeal | 21.4 | 20.8 | 22.0 |
| Other | 37.3 | 38.5 | 38.0 |
| Total | 175.6 | 182.4 | 186.0 |
| CARRY-OUT STOCKS | | | |
| Soymeal | 3.9 | 3.9 | 3.9 |
| Rapemeal | 0.3 | 0.3 | 0.3 |
| Other | 1.3 | 1.1 | 1.1 |
| Total | 5.5 | 5.3 | 5.3 |
| OILSEED PRODUCTION | | | |
| Soybean | 173.4 | 182.5 | 186.0 |
| Rapeseed/Canola | 37.7 | 36.4 | 39.0 |
| Other | 99.9 | 103.9 | 105.0 |
| Total | 311.0 | 322.8 | 330.0 |
| OILSEED CRUSH | | | |
| Soybeans | 147.5 | 154.9 | 159.0 |
| Rapeseed/Canola | 35.7 | 34.5 | 37.0 |
| Other | 71.7 | 74.1 | 75.0 |
| Total | 254.9 | 263.5 | 271.0 |

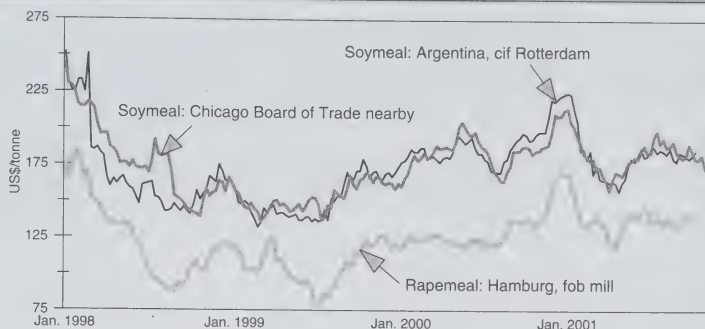
Note: *Other* includes cottonseed, sunflowerseed, fishmeal, peanut, copra, and palmkernel.

f: forecast, November 2001

2000-2001 & 2001-2002, USDA-FAS; 2002-2003, AAFC

Source: USDA

PROTEIN MEAL: PRICES



Source: Chicago Board of Trade, Oil World

over a several year span. This is expected to result in an increase in soymeal imports while the trade in soybeans declines.

Soymeal imports into the **Middle East/North Africa** have increased by 35% over the past 5 years, to a projected 4.6 Mt for 2001-2002.

Meal Prices

World protein meal prices are closely linked to the price of soymeal which dominates the world protein meal market. Since the U.S. accounts for about 45% of world output, the Chicago Board of Trade is the focal point of price discovery for soymeal. All other protein meals are priced relative to soymeal, largely based on the relative protein content of the meal which is determined by the amino acid content. Amino acids are the building blocks of protein meal. Generally, the price of soybeans and soymeal move in the same direction, while the price of soymeal and soyoil move in opposite directions.

U.S. soymeal prices are projected to decrease by 11% from 2000-2001. Prices reached a low of US\$153 per short ton (/st) (CAN\$240 per tonne (/t)) set in 1997-1998 and a high of US\$289/st (CAN\$455/t) in 1996-1997. The collapse in soymeal prices late in the 1990s reflected the global expansion in soybean production, which was spurred by high vegoil prices. An increase in crush led to increased supplies of protein meals. Unable to store the meal, processors

aggressively marketed it. However, crush volumes, and protein meal production, remained high after vegoil prices dropped, due to the ample supplies of soybeans worldwide and aggressive marketing by processors in an attempt to maintain market share. Prices of protein meal were also pressured by the expanded Asian and South American crush, as China, Brazil, and Argentina processed more of their soybeans domestically. With the devaluation of the Brazilian *real*, world soymeal prices were further pressured.

The average U.S. farm price for soybeans is forecast by the USDA to decrease to US\$4.30 per bushel (/bu) in 2001-2002, from US\$4.55/bu in 2000-2001. The U.S. price for soymeal, basis Decatur, is forecast to average US\$155/st (CAN\$256/t, {assuming US\$1=CAN\$1.50}) for 2001-2002, compared to about US\$174/st (CAN\$292/t, for 2000-2001.

Canada

In 2001-2002, protein meal production is forecast to decline due to a drop in canola crush. Consequently, protein meal supply is expected to fall, as an anticipated modest rise in soymeal imports fails to offset the drop in output of protein meals.

Soymeal production is expected to remain steady, due to the strong pace of soybean imports, which are expected to offset the drop in domestic production caused by the mid-summer dry conditions and heavy harvest rains. However, soymeal supplies are expected to rise to a record high, because of an increase in imports and the steady output of soymeal. For 2001-2002, total usage of soymeal is expected to increase slightly, as a result of the forecasted increase in hog production and cattle numbers; combined with the higher than usual placement of lightweight cattle into feedlots as a result of the drought in Alberta and Saskatchewan.

The production of canola meal is forecast to decrease significantly for 2001-2002, due to the combination of drought-reduced production of canola in western Canada and low crush margins. Canola oil and meal prices are remaining relatively low compared to the price of raw seed. Low supplies of canola meal are expected to result in decreased exports of canola meal and an increased substitution of soymeal into livestock rations.

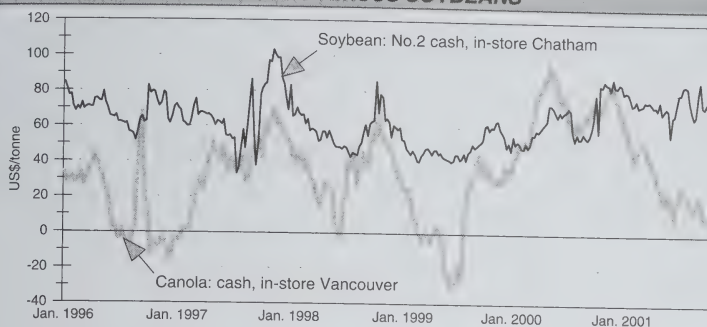
CANADA: PROTEIN MEAL SUPPLY AND DISPOSITION

| | 2000 -2001e | 2001 -2002f | 2002 -2003f |
|---------------------|---------------------------|----------------|----------------|
| |thousand tonnes..... | | |
| CANOLA MEAL | | | |
| Carry-in Stocks | 25 | 25 | 25 |
| Production | 1,870 | 1,495 | 1,450 |
| Imports | 5 | 5 | 5 |
| Total Supply | 1,900 | 1,525 | 1,480 |
| Exports | 1,135 | 775 | 705 |
| Domestic Use | 740 | 725 | 750 |
| Total Use | 1,875 | 1,500 | 1,455 |
| Carry-out Stocks | 25 | 25 | 25 |
| SOYMEAL | | | |
| Carry-in Stocks | 35 | 35 | 35 |
| Production | 1,392 | 1,400 | 1,395 |
| Imports | 915 | 950 | 950 |
| Total Supply | 2,342 | 2,385 | 2,380 |
| Exports | 30 | 30 | 30 |
| Domestic Use | 2,277 | 2,320 | 2,315 |
| Total Use | 2,307 | 2,350 | 2,345 |
| Carry-out Stocks | 35 | 35 | 35 |

Note: Flaxseed meal is not included due to confidentiality of data.

f: forecast, November 2001
Source: AAFC

CANADA: BOARD CRUSH MARGINS CANOLA VERSUS SOYBEANS



Source: Chicago Board of Trade, Oil World, Winnipeg Commodity Exchange, Ontario Soybean Growers

For 2001-2002, Canada is expected to become a net importer of protein meal as exports of canola meal from western Canada are more than offset by imports of soymeal into both the eastern and western regions of the country. Most of the canola meal produced on the Canadian Prairies is exported into the U.S., mostly California, Montana, and Washington states.

The import and export of protein meal are recorded at the point of entry or exit, which is not necessarily the province of production or usage. For example, most soymeal is imported into Canada through Ontario, Quebec, and Manitoba. In eastern Canada, some soymeal is transhipped from Ontario to Quebec, and from Ontario and Quebec to the Maritimes. In western Canada, a significant quantity of soymeal is imported through Manitoba for use in Saskatchewan and Alberta. This is the result of a combination of geography and the location of head-offices for the major feed companies. With most of the soybeans grown and crushed in the center to eastern half of the U.S., a number of companies with headquarters in Manitoba import and tranship a significant quantity of soymeal to local feedmills in the western provinces.

OUTLOOK: 2002-2003

Based on the USDA's medium term forecasts, **world** protein meal production is expected to increase in 2002-2003, largely due to record high soybean

production in the U.S., Brazil, and Argentina, combined with an increase in crush due to rising demand for protein meal from the growing population of hogs and poultry.

Area seeded to soybeans in the **U.S.** is expected to increase to around 31 million hectares, based on the change in area forecasted by the USDA in the medium term baseline. Production of soybeans is forecast at about 82 Mt, assuming trend yields. U.S. soymeal output is forecast to increase to over 41 million short tons.

Soymeal production is also projected to rise in South America, due to the expected rise in soybean output in **Brazil** and **Argentina**, as they continue to expand the area seeded to soybeans. South American crushing will also be supported by further devaluation of the *peso* and the *real* against the U.S. dollar, making those countries exports more competitive and offsetting pressure on crush volumes from higher interest rates and energy costs.

World protein meal consumption is forecast to rise by about 2% for 2002-2003 as a result of increased demand in **China** and the **U.S.** This growth will be led by the almost 3 Mt rise in soymeal usage worldwide. Soymeal consumption in China is expected to exceed

18 Mt, while U.S. usage rises to close to 34 Mt. This offsets the projected moderate decline in EU disappearance, with the consumption of soymeal falling to about 28 Mt for 2002-2003.

World protein meal trade is expected to decline in 2002-2003, however, as trade in soybeans increases at the expense of soymeal. Exports of soymeal are expected to decline slightly, while trade in canola and other protein meals fall at a faster rate.

The U.S. and India are expected to be the most hurt by the projected decline in soymeal exports. Shipments from the U.S. are projected to fall to slightly under 7.5 Mt, from in excess of 7.7 Mt in 2001-2002. Similarly, Indian exports are expected to fall to 2.0 Mt for 2002-03, versus 2.2 Mt for 2001-2002. By contrast, Argentine and Brazilian exports are expected to increase moderately to 14.8 Mt and 10.2 Mt for 2002-2003. Chinese exports of canola/rapeseed meal into neighbouring South Asian countries are also expected to decline to very low levels for 2002-2003.

The price of soymeal, basis Decatur, is

CANADA: PROTEIN MEAL TRADE BY PROVINCE

| | 1999 -2000 | 2000 -2001e | 2001 -2002f |
|-----------------------------|---------------|----------------|----------------|
|thousand tonnes..... | | | |
| CANOLA MEAL: EXPORTS | | | |
| Quebec | 7 | 15 | 10 |
| Ontario | 129 | 120 | 100 |
| Manitoba | 170 | 169 | 150 |
| Saskatchewan | 318 | 286 | 190 |
| Alberta | 482 | 519 | 310 |
| British Columbia | 35 | 27 | 15 |
| Other | 0 | 0 | 0 |
| Total | 1,141 | 1,136 | 775 |
| SOYMEAL: IMPORTS | | | |
| Quebec | 173 | 114 | 115 |
| Ontario | 181 | 272 | 275 |
| Manitoba | 209 | 219 | 225 |
| Saskatchewan | 89 | 92 | 95 |
| Alberta | 105 | 116 | 120 |
| British Columbia | 71 | 95 | 100 |
| Other | 1 | 6 | 5 |
| Total | 829 | 914 | 935 |

e: estimate, AAFC, November 2001

f: forecast, AAFC, November 2001

Source: Statistics Canada

DISTILLERS GRAIN

The production of distillers grain, the co-product obtained from producing ethanol from grain, has been increasing in Canada. The increase has been driven by increasing energy costs and by growing concerns over the environment. A tonne of corn is expected to yield, by weight, about one-third each of ethanol, carbon dioxide, and distillers grain. Each year, about 0.6 Mt of corn is used in the production of ethanol, resulting in the production of about 0.2 Mt of distillers grain. As production for the ethanol market continues to grow, so will the supply of distillers grain. In turn, this will pressure the price of soymeal and canola meal. Currently, distillers grain sells at a discount to soymeal, based on protein content, due to a number of quality and supply related issues.

ISOLATING PROTEIN FROM CANOLA

Through a new technique, a Canadian company has developed a process to extract a high-grade protein isolate from canola/rapeseed meal. Until now, canola meal/rapemeal have been unfit for human consumption due to the presence of large quantities of fibre and anti-nutritional factors. The new process, involving only canola meal, table salt, and tap water, produces a powder containing a minimum of 90% protein with a significant reduction in the anti-nutritional factors normally associated with canola meal.

The resulting powder, branded Puratein, includes physical attributes such as a bland flavour, off-white to light-tan colour and no odour. In its dry form, it requires no refrigeration. Canola protein extracted using this process has functional properties similar to egg whites, making it one of the most valuable of all food proteins. It is potentially usable in cakes and pastries, processed meats, canned meats, mayonnaise and salad dressings and as a meat firming and binding agent. The Burcon process is now being tested in large-scale 10,000 litre batches.

This process could significantly improve crusher margins by increasing the value of the canola meal. In Canada, 1 t of canola seed yields about \$100 in meal revenue, assuming a canola meal price of \$160/t. If the same meal was further processed to produce protein isolate, it could yield about \$320 in income, with significant value remaining in the spent canola meal.

This process can work with other oilseeds, raising the possibility that the protein in the meal left over from the processing of flaxseed and sunflowerseed could be developed as high-value-protein isolates for a variety of uses. This is also a significant development that may alter the economics of vegoil production and lead to the creation of new proteins for the global food industry.

expected to increase modestly to about US\$165/st (CAN\$272 a tonne (t) {US\$1=CAN\$1.50}) for 2002-2003, while the price of soybeans, basis central Illinois is projected to remain stable at US\$4.10/bu. The price of soymeal is expected to be supported by lower growth of vegoil production. The expected slowdown in the rate of crushing for vegoil will reduce the pressure on protein meal and support prices above those received during 2000-2001 and 2001-2002.

Canada

The supply of oilseeds in Canada is expected to decrease for 2002-2003. Assuming normal moisture conditions, the area seeded to oilseeds is expected to increase as a result of higher prices in 2002-2003 and expected improvement in profitability. Yields are also expected to return to near-normal, after falling sharply below the five-year average in 2001-2002 because of the extremely dry growing conditions across western Canada. While the Canadian price for protein meal is expected to recover from the lows established in 1999-2000, it will continue to be pressured by burdensome U.S. supplies of soymeal.

Canadian canola meal supplies are projected to decrease in 2002-2003, due to a 4% drop in production to 1.4 Mt. Exports are expected to decrease to around 0.68 Mt, from 0.78 Mt in 2001-2002, well below the record of 1.2 Mt set in 2000-2001. Most of the exports are expected to continue going into the U.S., although minor quantities will be shipped into Japan and South Korea. As a result of the reduced competition from Chinese exports, Canadian shipments of canola meal into Southern Asia may rise during the crop year. Due to increased

soymeal prices and the stability of the Canadian dollar against the U.S. dollar, the price of canola meal, in-store Vancouver, is expected to increase slightly to about CAN\$200-230/t for 2002-2003.

The supply of soymeal in Canada is forecast to remain unchanged due to stable production and imports. Domestic usage is expected to rise marginally, to a record high 2.3 Mt, due to continued growth in Canadian pig and livestock inventories. Exports are expected to remain stable.

For more information:

Chris Beckman
Oilseeds Analyst
Phone: (204) 984-4929
E-mail: beckmac@em.agr.ca

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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CANADA: SOYBEANS

Canada's ability to supply the specific growing demands of our soybean export market is a direct result of successful cooperation between government, the soybean industry and producers. This supplement to the *Bi-weekly Bulletin* briefly examines some of the developments and uses that have contributed to the growth of our export markets.

Soybean exports in 1999-2000 (September-August) reached a record 0.95 million tonnes (Mt) and a value of almost CAN\$305M compared with 0.20 Mt and \$66M exported just 10 years earlier. During this period, exports to Asia have increased from about 77,000 tonnes (t) in 1989-1990 to about 441,000 t in 1999-2000. Likewise, exports to Europe have increased from about 19,000 t to about 173,000 t during the same ten-year period. Exports have risen despite increased competition from the United States (U.S.) and South America due to recognition from buyers that Canadian developed food grade soybeans are a high quality product.

PRIMARY MARKETS

Japan and Europe, two of the largest and most lucrative markets for soybean exports, have increasingly turned to Canada to supply a higher percentage of their soybean needs. In Japan, many food manufacturers have shifted to non-genetically modified (GM) varieties from Canada in reaction to the Japanese government's implementation of mandatory labelling of GM products. Likewise, importers in Europe have turned to Canada for soybeans in order to avoid mandatory GM food labelling and to supply consumers that demand GM-free products.

IDENTITY PRESERVATION (IP)

As of September 13, 2001, soybean customers will have assurances that their purchases meet minimum guidelines for all stages of production from growing to processing with the launch of the National Identity Preservation Standard. The Canadian Grain Commission is the third party certifying body for the standard.

The Canadian soybean industry already has the infrastructure and skills for running a sophisticated IP program because the industry has been producing food grade soybeans for more than 30 years and

running IP programs for more than 15 years. IP has been a vital process for food grade production and exports because Canada has developed superior soybean varieties. These varieties, with traits such as larger seed size and elevated proteins and sugars, have helped to capture niche markets. It is estimated that in 2001, 25% of Ontario soybean producers were involved with IP contracts. Many small local elevators have aided IP segregation and have ensured that buyers receive the specific soybeans purchased.

WHITE HILUM

Approximately 90% of world food-use soybeans are consumed in Asia. Canada has increasingly gained market share in this region through years of diligent marketing and by the introduction of a food grade soybean called white hilum. White hilum soybeans are preferred in food grade soybeans because they lack the brown speck found in feed grade soybeans and produce desirable products such as white tofu.

A recent profile of the white hilum soybean market in Canada has indicated that in 2000-2001 producers received premiums that average \$3.84 per bushel (bu) for soybeans sold for natto and tofu, \$0.99/bu for IP special soybeans, and \$1.10/bu for special quality white hilum. The profile concludes that the special quality soybeans together with our developed IP systems are effective in distributing premiums to producers and have contributed to an increasingly higher volume of exports each year.

VALUE-ADDED

Researchers in Ontario have begun the process to develop soybean varieties that are higher in isoflavone content. Isoflavones are phytochemicals naturally found in soybeans that are thought to play an important role in the prevention of

CANADA: SOYBEAN EXPORTS

| September-August crop year | kt | M\$ |
|-------------------------------|-----|-----|
| 1995-1996 | 599 | 229 |
| 1996-1997 | 478 | 208 |
| 1997-1998 | 769 | 309 |
| 1998-1999 | 876 | 307 |
| 1999-2000 | 949 | 305 |
| 2000-2001 | 705 | 239 |

Source: Statistics Canada

cancer, heart disease, kidney disease and osteoporosis.

The Ontario Soybean Growers (OSG) (www.soybean.on.ca) has actively been working with BIOX Corporation in a pilot plant designed to perfect a new process for producing biodiesel. Improvements involved in the new process are expected to result in significant cost savings and lead to biodiesel that will be price competitive with conventional diesel. Other new uses currently being studied are soy-based adhesives, inks, plastics, and hydraulic fluid.

The OSG and the Canadian Soybean Export Association have provided a success story within Canada's grain and oilseed sectors amidst difficult times and have provided a model of how to segregate, develop, and gain market share within export markets. Canadian soybean producers have directly benefited from the cooperation of all players within the industry and should continue to benefit from Canada's reputation for high quality soybeans that have earned a high degree of consumer acceptance.

For more information:

Sergio Novelli
Market Analyst

Phone: (204) 983-6865

E-mail: novellis@em.agr.ca



CANADA: GRAINS AND OILSEEDS OUTLOOK

NOVEMBER 1, 2001

There has been little change to the grains and oilseeds outlook since our October 11 release. Production of grains and oilseeds in Canada in 2001-02 is estimated by Statistics Canada (STC) at only 50.5 million tonnes (Mt) compared to 61.6 Mt in 2000-01 and the 10-year average of 60.5 Mt. In Western Canada, 2001-02 production has fallen by 23% from 2000-01. In Alberta and Saskatchewan, yields were well below average, due to drought. In Manitoba, yields were also below normal, as excess moisture stressed the crops and increased disease pressure. In eastern Canada, production is estimated to increase by only 3% from the extremely low level of 2000-01. In much of eastern Canada, dry conditions have resulted in below normal yields for corn and soybeans, while late autumn rains have delayed the harvest and held up planting the winter wheat crop.

In Western Canada, the proportion of the wheat and durum crops falling into the top two grades is well above normal due to the hot dry growing season and dry weather at harvest. Protein levels are high, with preliminary Canadian Grain Commission data indicating an average protein content for No.1 CWRS wheat of 14.4%, a full percentage point above average. Total Canadian exports of grains and oilseeds are forecast by AAFC to fall by 15%, to 23.5 Mt, although exports of durum wheat, corn and flaxseed are expected to increase. Prices for all Canadian grains and oilseeds, except soybeans, are expected to be higher than in 2000-01.

WHEAT (ex-durum)

For 2001-02, supplies are down by 11% from the previous year. Despite a 9% increase in seeded area, drought in Alberta and Saskatchewan has lowered production by 16%, to 17.8 Mt, the lowest since 1988-89. This is only partly offset by higher carry-in stocks. Exports are forecast to fall by 10%, to 12 Mt, well below the 10-year average of 15.6 Mt. Feed use is expected to decline due to tight supplies and good quality. Carry-out stocks are expected to fall to 5.0 Mt, the lowest since 1995-96. The Canadian Wheat Board (CWB) Oct. 2001-02 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein has been raised by \$3/t from Sept. to \$196/t, in-store Vancouver/St. Lawrence, \$12/t above 2000-01. Ontario winter wheat production is down by 23%, at 1.1 Mt, but quality is good. The Ontario Wheat Producers' Marketing Board's Projected Pool Return for No.1 CEWW wheat is \$135-145/t, vs. the 2000-01 final realized price of \$110/t.

DURUM

For 2001-02, supplies have decreased by 22% from 2000-01 to 5.8 Mt, vs. the 10-year average of 6.2 Mt, despite record carry-in stocks. Production has fallen by almost 50%, to the lowest level since 1988-89, due to a combination of a lower seeded area and drought. Exports are forecast to rise by 9%, to 3.8 Mt, due to lower production in the EU and US. Carry-out stocks are projected to drop to 1.1 Mt. The CWB Oct. 2001-02 PRO for No.1 CWAD 11.5% protein is \$251/t, I/S VC/SL, a decrease of \$3/t from Aug, but \$8/t higher than 2000-01. The premium over No.1 CWRS 11.5% is \$55/t, vs. \$59/t in 2000-01 and the 10-year average of \$43/t.

BARLEY

For 2001-02, supplies are at the lowest level since 1986-87. Production has fallen by 18% from 2000-01, due to lower yields, lower seeded area, and increased abandonment. Exports of both feed and

malting barley are expected to decline. Feed use is expected to fall dramatically. Carry-out stocks are forecast to decline sharply, to the lowest levels of recent times. The CWB Oct. PRO for No.1 CW Feed Barley is \$180/t, up \$37/t from 2000-01. Prices for malting barley are forecast to increase, as the lower supplies are expected to result in an increased portion of sales to high priced markets. The CWB Oct. PRO for Special Select 2-Row Designated barley is \$217/t, vs the 2000-01 PRO of \$202/t.

OATS

For 2001-02, supplies have decreased by 19% from 2000-01. Production has fallen by 16% despite increased seeded area. Light-weight oats have been reported in Manitoba, further limiting supplies for domestic milling and the export market. Exports are forecast to decrease as a result. Carry-out stocks are forecast to fall to the lowest level in recent times. Oat prices are forecast to increase from 2000-01, due to lower stocks and higher US corn prices.

CORN

For 2001-02, production is estimated to increase due to higher seeded area, although dry conditions resulted in below normal yields. Imports of US corn into western Canada are forecast to increase dramatically due to reduced barley supplies, while imports into eastern Canada are forecast to decline but remain high. Domestic use is expected to increase as a result of higher corn feeding in western Canada. Ontario corn prices are expected to rise due to higher US prices, with Ontario corn expected to continue to be priced on an import competitive basis.

CANOLA

For 2001-02, supplies are expected to decrease by about 35% to 6.1 Mt, the lowest since 1992-93, because of lower production and carry-in stocks. Exports are forecast to fall by about 40%, to

2.9 Mt, mainly due to lower shipments to China. Domestic crush is also expected to drop sharply, to 2.4 Mt, due to tight supplies. Carry-out stocks are projected to decline by 62%, to the very low level of 0.4 Mt, the lowest level since 1993-94. Canola prices are forecast to increase by almost 20%.

FLAXSEED (excluding solin)

For 2001-02, supplies are expected to decrease by 9% as lower carry-in stocks more than offset the marginal increase in production. Exports are forecast to increase due to increased import demand from the EU. Carry-out stocks are expected to decline and prices are forecast to increase by about 20%.

SOYBEANS

For 2000-01, exports are forecast to decline due to increased competition from the US and South America. For 2001-02, due to lower domestic supply, imports are expected to increase significantly. Production decreased significantly because of sharply lower yields, resulting from insufficient moisture and insect infestations. Domestic use is expected to fall due to a decrease in crush. Exports are forecast to decline as a result of tight supplies. Carry-out stocks are expected to fall sharply. Chatham prices are forecast to decrease marginally, mainly due to lower US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains.....Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca

www.agr.gc.ca/mad-dam/

CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

NOVEMBER 1, 2001

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1999-2000 | 1,769 | 2.45 | 4,341 | 9 | 6,288 | 3,575 | 263 | 422 | 937 | 1,775 | 207 |
| 2000-2001 | 2,614 | 2.16 | 5,647 | 10 | 7,432 | 3,487 | 268 | 591 | 1,073 | 2,873 | 243 * |
| 2001-2002 F | 2,050 | 1.42 | 2,905 | 5 | 5,783 | 3,800 | 273 | 350 | 883 | 1,100 | 251 ** |
| Wheat Except Durum | | | | | | | | | | | |
| 1999-2000 | 8,606 | 2.63 | 22,600 | 6 | 28,093 | 14,737 | 2,697 | 3,865 | 7,391 | 5,964 | 168 |
| 2000-2001 | 8,349 | 2.53 | 21,157 | 50 | 27,171 | 13,269 | 2,805 | 3,864 | 7,567 | 6,335 | 184 * |
| 2001-2002 F | 8,922 | 1.99 | 17,791 | 50 | 24,176 | 12,000 | 2,803 | 3,595 | 7,176 | 5,000 | 196 ** |
| All Wheat | | | | | | | | | | | |
| 1999-2000 | 10,375 | 2.60 | 26,941 | 14 | 34,380 | 18,313 | 2,960 | 4,287 | 8,329 | 7,739 | |
| 2000-2001 | 10,963 | 2.44 | 26,804 | 60 | 34,604 | 16,756 | 3,073 | 4,455 | 8,640 | 9,208 | |
| 2001-2002 F | 10,971 | 1.89 | 20,695 | 55 | 29,958 | 15,800 | 3,076 | 3,945 | 8,058 | 6,100 | |
| Barley | | | | | | | | | | | |
| 1999-2000 | 4,069 | 3.24 | 13,196 | 33 | 15,966 | 2,392 | 393 | 9,902 | 10,736 | 2,838 | 110 |
| 2000-2001 | 4,551 | 2.96 | 13,468 | 38 | 16,344 | 2,624 | 383 | 10,446 | 11,266 | 2,454 | 129 |
| 2001-2002 F | 4,376 | 2.54 | 11,103 | 70 | 13,627 | 1,700 | 385 | 9,387 | 10,227 | 1,700 | 140-170 |
| Corn | | | | | | | | | | | |
| 1999-2000 | 1,141 | 8.03 | 9,161 | 1,023 | 11,069 | 226 | 2,020 | 7,240 | 9,291 | 1,552 | 107 |
| 2000-2001 | 1,088 | 6.27 | 6,827 | 2,845 | 11,224 | 100 | 2,145 | 8,065 | 10,244 | 880 | 120 |
| 2001-2002 F | 1,208 | 6.40 | 7,730 | 2,800 | 11,410 | 150 | 2,225 | 8,203 | 10,460 | 800 | 125-155 |
| Oats | | | | | | | | | | | |
| 1999-2000 | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,532 | 191 | 1,728 | 2,079 | 1,122 | 128 |
| 2000-2001 | 1,299 | 2.61 | 3,389 | 8 | 4,519 | 1,759 | 115 | 1,630 | 1,920 | 840 | 132 |
| 2001-2002 F | 1,338 | 2.12 | 2,838 | 4 | 3,682 | 1,475 | 150 | 1,489 | 1,807 | 400 | |
| Rye | | | | | | | | | | | |
| 1999-2000 | 169 | 2.29 | 387 | 4 | 557 | 85 | 69 | 223 | 311 | 161 | |
| 2000-2001 | 115 | 2.27 | 260 | 5 | 426 | 89 | 66 | 166 | 249 | 88 | |
| 2001-2002 F | 104 | 2.10 | 218 | 5 | 311 | 80 | 66 | 79 | 166 | 65 | |
| Mixed Grains | | | | | | | | | | | |
| 1999-2000 | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001 | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002 F | 139 | 2.71 | 376 | 0 | 376 | 0 | 0 | 376 | 376 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1999-2000 | 6,930 | 3.87 | 26,832 | 1,064 | 32,772 | 4,235 | 2,673 | 19,539 | 22,864 | 5,673 | |
| 2000-2001 | 7,181 | 3.39 | 24,327 | 2,896 | 32,896 | 4,572 | 2,709 | 20,689 | 24,061 | 4,262 | |
| 2001-2002 F | 7,165 | 3.11 | 22,265 | 2,879 | 29,406 | 3,405 | 2,826 | 19,534 | 23,036 | 2,965 | |
| Canola | | | | | | | | | | | |
| 1999-2000 | 5,564 | 1.58 | 8,798 | 124 | 9,556 | 3,885 | 2,983 | 493 | 3,515 | 2,156 | 288 |
| 2000-2001 | 4,816 | 1.48 | 7,119 | 224 | 9,499 | 4,838 | 3,013 | 562 | 3,607 | 1,054 | 291 |
| 2001-2002 F | 3,829 | 1.25 | 4,789 | 250 | 6,093 | 2,900 | 2,400 | 348 | 2,793 | 400 | 330-360 |
| Flaxseed | | | | | | | | | | | |
| 1999-2000 | 777 | 1.32 | 1,022 | 2 | 1,175 | 568 | n/a | n/a | 221 | 386 | 237 |
| 2000-2001 | 591 | 1.17 | 693 | 11 | 1,090 | 613 | n/a | n/a | 204 | 273 | 261 |
| 2001-2002 F | 652 | 1.08 | 704 | 10 | 987 | 700 | n/a | n/a | 137 | 150 | 300-330 |
| Soybeans | | | | | | | | | | | |
| 1999-2000 | 1,004 | 2.77 | 2,781 | 455 | 3,478 | 948 | 1,712 | 493 | 2,277 | 252 | 256 |
| 2000-2001 | 1,061 | 2.55 | 2,703 | 430 | 3,385 | 750 | 1,697 | 689 | 2,455 | 180 | 256 |
| 2001-2002 F | 1,027 | 1.99 | 2,040 | 650 | 2,870 | 650 | 1,650 | 400 | 2,120 | 100 | 240-270 |
| Total Oilseeds | | | | | | | | | | | |
| 1999-2000 | 7,345 | 1.72 | 12,602 | 581 | 14,208 | 5,401 | 4,695 | 987 | 6,013 | 2,794 | |
| 2000-2001 | 6,468 | 1.63 | 10,515 | 665 | 13,974 | 6,202 | 4,710 | 1,251 | 6,265 | 1,507 | |
| 2001-2002 F | 5,507 | 1.37 | 7,533 | 910 | 9,950 | 4,250 | 4,050 | 748 | 5,050 | 650 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1999-2000 | 24,650 | 2.69 | 66,374 | 1,659 | 81,361 | 27,949 | 10,329 | 24,813 | 37,206 | 16,206 | |
| 2000-2001 | 24,612 | 2.50 | 61,646 | 3,621 | 81,473 | 27,529 | 10,492 | 26,394 | 38,967 | 14,977 | |
| 2001-2002 F | 23,643 | 2.13 | 50,493 | 3,844 | 69,314 | 23,455 | 9,952 | 24,227 | 36,144 | 9,715 | |

(a) Aug.-July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver); Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (No.3 CW, WCE cash Track Minneapolis - contact was delisted from the WCE on May 31, 2001); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB Pool Return Outlook (PRO): September 2001. **CWB PRO October, 2001. Prices for No.1 CWRS and No.1 CWAD with 11.5% protein for 2000-01 and 2001-02. This is comparable to prices for 1999-00 and previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

F: forecast, Agriculture and Agri-Food Canada, November 1, 2001

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: SPECIAL CROPS OUTLOOK

NOVEMBER 1, 2001

Total Canadian production of special crops in 2001-02 is estimated to decrease by 21% to 3.9 million tonnes (Mt), based on Statistics Canada's September production estimate for dry peas, lentils, mustard seed and canary seed, and AAFC's forecast rates, because of drought in most of Saskatchewan and Alberta, and insufficient moisture in Ontario, more than offset the increase in seeded area. The special crops harvest is complete, with the exception of some sunflower seeds. The quality of the special crops is generally better than for 2000-01 and the 10-year average.

Despite projected lower exports and domestic use, carry-out stocks are forecast to fall sharply due to lower supplies. Compared to 2000-01, average prices are forecast to increase for dry peas, lentils, dry beans, mustard seed, canary seed, sunflower seed and buckwheat, but decrease for chick peas.

DRY PEAS

For 2001-02, Canadian production decreased by 24%, as the higher harvested area was more than offset by lower yields. Production of the yellow and green types decreased proportionately. The quality is generally good, but there are reports of bleaching in some green peas. Total supply decreased by 27%. Total world supply is forecast to decrease by 8% to 10.6 Mt, due to lower world production, mainly because of lower Canadian production, and carry-in stocks. Canadian exports and domestic use are forecast to decrease because of lower supply. Carry-out stocks are forecast to decrease to a very low level. The average price over all types, grades and markets is forecast to increase by about 25%, due to the lower Canadian and world supply.

LENTILS

For 2001-02, Canadian production decreased by 32%, as the slightly higher harvested area was more than offset by lower yields. Production of all types decreased, with large decreases for the green types and a small decrease for the red type. The quality is generally good, but, on average, the seed size for large green lentils is smaller than in 2000-01. Total supply is forecast to decrease by only 17% because of higher carry-in stocks. Total world supply is forecast to decrease by 2% to 3.4 Mt, as lower production in Canada more than offsets higher production in the Middle East and higher world carry-in stocks. Canadian exports are expected to decrease, as Canada's share of total world supply decreases to 24.4% from 28.7% in 2000-01. Carry-out stocks are forecast to decrease, with a s/u ratio of 14%. The average price, over all types and grades, is forecast to increase by about 5% because of higher expected prices for the large green type and higher average quality.

DRY BEANS

For 2001-02, Canadian production is forecast to be similar to 2000-01, as a slightly lower harvested area is offset by slightly higher yields. Production of white pea and coloured beans is forecast to be similar to 2000-01, at about 110,000 t and 160,000 t, respectively. The quality is generally good, but the size of kidney and cranberry beans is more variable than in 2000-01 and, on average, smaller. Total supply is expected to decrease by 4% because of lower carry-in stocks and imports. Exports are forecast to increase

because of a smaller world supply for the classes of dry beans produced in Canada. Carry-out stocks are expected to decrease significantly to a very low level. US production is expected to decrease by 28%. Total US and Canadian supply is expected to decline by 27%. Therefore, the average price, over all classes and grades, is forecast to increase by about 30%.

CHICK PEAS

For 2001-02, Canadian production is forecast to increase by 25%, as a larger harvested area more than offsets lower yields. The largest increase in production is expected for the small kabuli type, with a smaller increase for the large kabuli type. Production of the desi type is expected to decrease. The quality is generally good, although the seed size of the large kabuli type is, on average, smaller than in 2000-01. Total supply is forecast to increase by 25%. Total world supply is forecast to increase by 9% to 7.6 Mt, due to higher expected production in Canada, the Middle East, India and Australia. Canada's share of total world supply is expected to increase to 6.8% from 5.8% in 2000-01. Canadian exports are forecast to increase sharply because of strong demand, especially during the first half of 2001-02, and the increase in Canada's share of world total supply. Carry-out stocks are forecast to increase with a s/u ratio of 9%. The average price, over both kabuli and desi types and all sizes and grades, is forecast to decrease by about 5%, as pressure from higher world supply is partly offset in Canada by higher quality and a shift to the production of the higher priced kabuli type.

MUSTARD SEED

For 2001-02, Canadian production decreased by 46% due to lower harvested area and yields. The quality is generally good. Production decreased sharply for the oriental and brown types, but was stable for the yellow type. However, carry-in stocks for the yellow type were much lower than for the brown and oriental types. Total supply is forecast to decrease by 34%. Exports are expected to decrease because of the lower supply. Carry-out stocks are forecast to decrease sharply to a very low level. The average price, over all types and grades, is forecast to increase by about 45% because of the lower supply and a shift to the production of the higher priced yellow type.

CANARY SEED

For 2001-02, Canadian production decreased by 36%, due to lower harvested area and yields. Total supply decreased by 31%. The quality is generally good. Total world supply is forecast to decrease by 26% to 245,000 t. Canadian exports are expected to decrease because of the smaller supply. Carry-out stocks are forecast to decrease sharply to a very low level. The average price is forecast to rise by about 95%.

SUNFLOWER SEED

For 2001-02, Canadian production is forecast to decrease by 8%, due to lower harvested area and yields. Production of confectionary type is expected to decrease by 5% to 85,000 t, while production of the oil type drops by 17% to 25,000 t. The quality is generally good. Total supply is forecast to decrease by 12%. Total world supply is forecast to decrease by 7% to 23.0 Mt. Total US and Canadian supply of the confectionary type is expected to decrease slightly, with a sharper decrease for the oilseed type. Canadian exports and domestic use are expected to increase slightly. Carry-out stocks are forecast to decrease significantly to a very low level. Stronger world demand is expected to support prices. Therefore, the average Canadian price over both confectionary and oilseed types is forecast to increase by about 5%.

BUCKWHEAT

For 2001-02, Canadian production is forecast to remain stable, as lower harvested area is offset by higher yields, because the crop is produced mainly in Manitoba. The quality is generally good. Total supply and use are forecast to decrease. The average price over all grades and markets is forecast to increase slightly, in line with a slightly lower world total supply of about 3.1 Mt.

FURTHER INFORMATION:

Stan Skrypetz (204) 983-8972
E-mail skrypetzs@em.agr.ca
Fred Oleson, Chief (204) 983-0807
E-mail olesonf@em.agr.ca

www.agr.gc.ca/mad-dam/

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CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS

NOVEMBER 1, 2001

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,974 | 1,116 | 523 | 335 | 180 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 E | 1,220 | 2.35 | 2,864 | 12 | 3,276 | 2,180 | 901 | 195 | 138 |
| 2001-2002 F | 1,397 | 1.56 | 2,175 | 10 | 2,380 | 1,500 | 850 | 30 | 155-185 |
| Lentils | | | | | | | | | |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 523 | 349 | 109 | 65 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 E | 688 | 1.33 | 914 | 5 | 999 | 560 | 233 | 206 | 295 |
| 2001-2002 F | 693 | .90 | 623 | 5 | 834 | 550 | 184 | 100 | 295-325 |
| Dry Beans | | | | | | | | | |
| 1997-1998 | 90 | 1.82 | 164 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 E | 165 | 1.62 | 268 | 40 | 348 | 245 | 63 | 40 | 465 |
| 2001-2002 F | 162 | 1.67 | 270 | 25 | 335 | 265 | 65 | 5 | 595-625 |
| Chick Peas | | | | | | | | | |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 38 | 1.34 | 51 | 2 | 54 | 14 | 35 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 E | 283 | 1.37 | 387 | 5 | 407 | 195 | 192 | 20 | 410 |
| 2001-2002 F | 480 | 1.01 | 485 | 5 | 510 | 280 | 190 | 40 | 380-410 |
| Mustard Seed | | | | | | | | | |
| 1997-1998 | 292 | .83 | 243 | 2 | 283 | 166 | 69 | 48 | 385 |
| 1998-1999 | 279 | .86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 E | 208 | .97 | 202 | 1 | 318 | 155 | 63 | 100 | 280 |
| 2001-2002 F | 137 | .80 | 110 | 1 | 211 | 150 | 56 | 5 | 395-425 |
| Canary Seed | | | | | | | | | |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 245 | 134 | 47 | 64 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 E | 164 | 1.04 | 171 | 0 | 261 | 167 | 24 | 70 | 265 |
| 2001-2002 F | 141 | .78 | 110 | 0 | 180 | 150 | 25 | 5 | 500-530 |
| Sunflower Seed | | | | | | | | | |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 90 | 45 | 42 | 3 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 E | 69 | 1.72 | 119 | 18 | 178 | 77 | 70 | 31 | 320 |
| 2001-2002 F | 65 | 1.69 | 110 | 15 | 156 | 80 | 71 | 5 | 325-355 |
| Buckwheat | | | | | | | | | |
| 1997-1998 | 15 | 1.13 | 17 | 1 | 20 | 9 | 10 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 E | 15 | .93 | 14 | 1 | 16 | 9 | 7 | 0 | 305 |
| 2001-2002 F | 12 | 1.17 | 14 | 1 | 15 | 8 | 7 | 0 | 295-325 |
| Total Special Crops (c) | | | | | | | | | |
| 1997-1998 | 1,749 | 1.57 | 2,745 | 54 | 3,346 | 1,949 | 865 | 532 | |
| 1998-1999 | 2,154 | 1.70 | 3,658 | 109 | 4,299 | 2,634 | 1,034 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 E | 2,812 | 1.76 | 4,939 | 82 | 5,803 | 3,588 | 1,553 | 662 | |
| 2001-2002 F | 3,087 | 1.26 | 3,897 | 62 | 4,621 | 2,983 | 1,448 | 190 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed, sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

E: estimate F: forecast, Agriculture and Agri-Food Canada, November 1, 2001

Source: Statistics Canada and industry consultations.

As of Monday October 22, 2001

| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
|----------------------------|---------------------|--------------------------|--------|--------|--|--------|--------|
| From: | Hamilton, Ont. | | | | | | |
| To: | Montreal, Que. | Track | 331.19 | 352.68 | | 354.04 | 327.81 |
| | Moncton, N.B. | Track | 354.40 | 375.89 | | 371.35 | 345.12 |
| | Truro, N.S. | Track | 353.23 | 374.72 | | 374.32 | 348.09 |
| | Stephenville, Nfld. | Track / Truck via Sydney | 402.03 | 423.52 | | 423.58 | 397.35 |

- Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday November 5, 2001

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|--------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| Vancouver B.C. | This week | FOB | 178.16 | N/A | 185.16 | 169.00 | | 334.50 | (7) 246.00 | 142.00 | 320.00 | (4) 825.00 | 430.00 | | | | 440.00 |
| | Week ago | | 183.16 | N/A | 183.16 | 169.00 | | 331.50 | (7) 244.50 | 142.00 | 335.00 | (4) 825.00 | 430.00 | | | | 440.00 |
| Calgary Alta | This week | FOB | 155.00 | N/A | 162.00 | 164.00 | | 333.00 | N/A | | 280.00 | (4) 875.00 | 465.00 | | | | 440.00 |
| | Week ago | | 160.00 | N/A | 160.00 | 164.00 | | 326.50 | N/A | | 295.00 | (4) 875.00 | 465.00 | | | | 440.00 |
| Saskatoon Sask. | This week | FOB | 150.00 | 220.00 | 148.00 | 148.00 | | 325.50 | 230.00 | | 290.00 | (4) N/A | 465.00 | | 193.33 | | 470.00 |
| | Week ago | | 150.00 | 215.00 | 149.50 | 148.00 | | 318.50 | 227.00 | | 300.00 | (4) N/A | 465.00 | | 198.00 | | 470.00 |
| Melfort Sask. | This week | FOB | 151.50 | 231.84 | 151.30 | | | | | | | | | | | | |
| | Week ago | | 152.50 | 210.11 | 152.00 | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | 109.25 | 194.80 | 135.30 | 137.00 | | 309.00 | 220.00 | | 305.00 | (4) 890.00 | 425.00 | | | | 420.00 |
| | Week ago | | 109.25 | 194.80 | 135.30 | 136.00 | | 301.50 | 217.00 | | 305.00 | (4) 890.00 | 425.00 | | | | 420.00 |
| Thunder Bay Ont. | This week | In-store | 161.50 | 247.00 | 158.30 | | | | | | | | | | | | |
| | Week ago | | 161.50 | 225.21 | 159.00 | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | 129.91 | | | | | | | | | | | |
| | Week ago | Vessel | | | | 133.64 | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | 178.50 | 280.00 | 158.30 | | | | | | | | | | | | |
| | Week ago | | 181.50 | 280.00 | 159.00 | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | 146.15 | | | | | | | | | | | |
| | Week ago | | | | | 147.43 | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | FOB | 326.72 | N/A | | | | | | | | |
| | Week ago | | | | | | | 312.83 | N/A | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 134.93 | | | | | | | | | | | |
| | Week ago | | | | | 136.56 | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | FOB | 332.67 | 236.99 | 137.00 | 284.00 | (5) 795.00 | 292.00 | 480.00 | 146.00 | | |
| | Week ago | | | | | | | 325.32 | 235.23 | 129.25 | 290.00 | (5) 795.00 | 298.00 | 485.00 | 146.00 | 225.00 | 390.00 |
| Trois-Riv. Que. | This week | In-store | 190.50 | | 193.30 | 157.18 | | | | | | | | | | | |
| | Week ago | | 190.50 | | 194.00 | 149.01 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | 166.50 | 170.00 | 170.53 | (2) 134.74 | | | | | | | | | | | |
| | Week ago | | 160.75 | 165.00 | 169.50 | (2) 134.44 | | | | | | | | | | | |
| St-Hyacinthe, Que. | This week | In-store | 188.00 | | 192.47 | 152.45 | FOB | 328.01 | | | | | | | | | |
| | Week ago | | 187.67 | | 191.50 | 151.76 | | 325.14 | | | | | | | | | |
| Quebec Que. | This week | Track | 216.69 | 215.08 | 218.67 | 184.83 | FOB | 351.47 | 273.43 | | | | | | | | |
| | Week ago | | 218.52 | 215.08 | 217.52 | 184.27 | | 345.63 | 270.88 | | | | | | | | 390.00 |
| Truro N.S. | This week | Water | 207.00 | N/A | N/A | 177.85 | | | | | | | | | | | 400.00 |
| | Week ago | & Truck | N/A | N/A | N/A | 185.80 | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | 198.00 | N/A | N/A | 168.85 | FOB | | | 296.50 | | (5) 750.00 | | | | | |
| | Week ago | | N/A | N/A | N/A | 176.80 | | | | 296.50 | | (5) 750.00 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5056 as of November 5, 2001
 Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars, per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Fish Meal 60% Protein, Fish Meal white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3C/WRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

As of Monday November 5, 2001

| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 326.72 | 312.83 | | 333.45 | 312.17 |
| To: Montreal, Que. | Track | | 351.14 | 337.25 | | 357.87 | 334.64 |
| Moncton, N.B. | Track | | 374.35 | 360.46 | | 381.08 | 351.95 |
| Truro, N.S. | Track | | 373.18 | 359.29 | | 379.91 | 354.92 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 421.98 | 408.09 | | 428.71 | 404.18 |

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | As of Monday November 19, 2001 | | |
|--------------------|------------------|-------------|--------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------------------------|--------------|--------------|
| | | | | | | | | | | | | | | | | GLUTEN MEAL | DEHY ALFALFA | FEATHER MEAL |
| Vancouver B.C. | This week | FOB | 178.16 | N/A | 181.16 | 174.00 | | 333.50 | (7) 236.00 | 144.00 | 320.00 | (4) 825.00 | 430.00 | | | | | 440.00 |
| | Week ago | | 178.16 | N/A | 185.16 | 174.00 | | 337.50 | (7) 239.78 | 142.00 | 320.00 | (4) 825.00 | 430.00 | | | | | 440.00 |
| Calgary Alta | This week | FOB | 155.00 | N/A | 158.00 | 164.00 | | 331.00 | N/A | | 280.00 | (4) 875.00 | 465.00 | | | | | 440.00 |
| | Week ago | | 155.00 | N/A | 162.00 | 164.00 | | 330.50 | N/A | | 280.00 | (4) 875.00 | 465.00 | | | | | 440.00 |
| Saskatoon Sask. | This week | FOB | 150.50 | 237.50 | 147.00 | 147.00 | | 326.00 | 223.00 | | 290.00 | (4) N/A | 465.00 | | 195.00 | | | 470.00 |
| | Week ago | | 150.00 | 220.00 | 148.00 | 148.00 | | 324.00 | 226.00 | | 290.00 | (4) N/A | 465.00 | | 193.33 | | | 470.00 |
| Melfort Sask. | This week | FOB | 156.90 | 239.10 | 152.00 | | | | | | | | | | | | | |
| | Week ago | | 154.00 | 233.34 | 151.00 | | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | 113.35 | 225.40 | 136.00 | 138.00 | | 309.00 | 213.00 | | 305.00 | (4) 890.00 | 420.00 | | | | | 420.00 |
| | Week ago | | 109.25 | 194.80 | 135.30 | 136.00 | | 307.00 | 216.00 | | 305.00 | (4) 890.00 | 425.00 | | | | | 420.00 |
| Thunder Bay Ont. | In-store | | 166.90 | 257.34 | 160.00 | | | | | | | | | | | | | |
| | Week ago | | 164.00 | 248.54 | 158.00 | | | | | | | | | | | | | |
| Lake Ports USA | On Board | | | | | 130.77 | | | | | | | | | | | | |
| | Week ago | Vessel | | | | 131.19 | | | | | | | | | | | | |
| Bay Ports Ont. | In-store | | 184.90 | 295.00 | 160.00 | | | | | | | | | | | | | |
| | Week ago | | 182.00 | 280.00 | 158.00 | | | | | | | | | | | | | |
| Chatham Ont. | Track | | | | | 146.15 | | | | | | | | | | | | |
| | Week ago | | | | | 146.66 | | | | | | | | | | | | |
| Toronto Ont. | N/A | | | | | | FOB | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | |
| Hamilton Ont. | N/A | | | | | | FOB | 329.15 | N/A | | | | | | | | | |
| | Week ago | | | | | | | 317.79 | N/A | | | | | | | | | |
| Eastern Ontario | FOB | | | | | 144.00 | | | | | | | | | | | | |
| | Week ago | | | | | 141.50 | | | | | | | | | | | | |
| London Ont. | FOB | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | FOB | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | |
| Cardinal Ont. | FOB | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | FOB | 331.87 | 239.53 | 139.33 | 284.00 | (5) 795.00 | 287.00 | 490.00 | 148.00 | 225.00 | | 390.00 |
| | Week ago | | | | | | | 326.66 | 232.98 | 136.00 | 284.00 | (5) 795.00 | 287.00 | 490.00 | 152.00 | 225.00 | | 390.00 |
| Trois Riv. Que. | In-store | | 195.90 | | 195.00 | 158.55 | | | | | | | | | | | | |
| | Week ago | | 193.00 | | 193.00 | 158.36 | | | | | | | | | | | | |
| St-Jean Que | FOB | | 169.95 | 172.50 | 170.00 | (2) 141.23 | | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | 169.00 | 170.00 | 168.67 | (2) 137.39 | | | | | | | | | | | | |
| Quebec Que. | In-store | | 194.07 | | 194.17 | 156.98 | FOB | 327.49 | | | | | | | | | | |
| | Week ago | | 191.17 | | 192.17 | 156.03 | | 320.55 | | | | | | | | | | |
| Truro N.S. | Track | | 218.05 | 211.28 | 218.12 | 186.54 | FOB | 355.33 | 269.90 | | | | | | | | | |
| | Week ago | | 217.85 | 211.28 | 216.62 | 185.69 | | 350.75 | 269.90 | | | | | | | | | 390.00 |
| Truro N.S. | Water | | 212.70 | N/A | N/A | 178.35 | | | | | | | | | | | | |
| | Week ago & Truck | | 211.00 | N/A | N/A | 176.75 | | | | | | | | | | | | |
| Halifax N.S. | In-store | | 203.70 | N/A | N/A | 169.35 | FOB | | | | | | | | | | | |
| | Week ago | | 202.00 | N/A | N/A | 167.75 | | | | 296.50 | | (5) 750.00 | | | | | | |
| | | | | | | | | | | 296.50 | | (5) 750.00 | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754
 N/A = not available. US \$1.00=Can \$1.5845 as of November 19, 2001
 Thunder Bay prices are based on the Winnipeg Commodities Exchange market close
 Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat. No.1 Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal 60% Protein. Fish Meal; white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.
 (1) Wheat 3C WPS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Ameritem Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday November 19, 2001

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| From: Thunder Bay 2 | In-Store | WHEAT | 166.90 | 164.00 | 161.40 | 133.70 |
| | | OATS | 257.34 | 248.54 | 223.00 | 123.10 |
| | | BARLEY | 160.00 | 158.00 | 162.00 | 127.00 |
| To: Bayports, Ont. | In-store | WHEAT | 190.00 | 187.10 | 184.50 | 156.80 |
| | | OATS | N/A | N/A | 1 | N/A |
| | | BARLEY | 187.15 | 185.15 | 189.15 | 154.15 |
| Montreal, Que. | In-store | WHEAT | 194.75 | 191.85 | 189.25 | 161.55 |
| | | OATS | N/A | N/A | 1 | N/A |
| | | BARLEY | 192.27 | 190.27 | 194.27 | 159.27 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 217.22 | 214.32 | 211.72 | 184.02 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 218.63 | 216.63 | 220.63 | 185.63 |
| Truro, N.S. | Truck via Halifax | WHEAT | 214.72 | 211.82 | 209.22 | 181.52 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 213.75 | 211.75 | 215.75 | 180.75 |
| Halifax, N.S. | In-store | WHEAT | 202.05 | 199.15 | 196.55 | 168.85 |
| | | OATS | N/A | N/A | 1 | N/A |
| | | BARLEY | 200.07 | 198.07 | 202.07 | 167.07 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 261.83 | 258.93 | 256.33 | 228.63 |
| | | OATS | 363.54 | 354.74 | 329.20 | 229.30 |
| | | BARLEY | 267.14 | 265.14 | 269.14 | 234.14 |
| From: Melfort, Sask. | FOB | WHEAT | 156.90 | 154.00 | 152.40 | 125.70 |
| | | OATS | 239.10 | 233.34 | 204.83 | 105.14 |
| | | BARLEY | 152.00 | 151.00 | 153.00 | 117.00 |
| To: Bayports, Ont. | Track | WHEAT | 206.05 | 203.15 | 201.55 | 181.82 |
| | | OATS | 295.99 | 290.23 | 261.72 | 164.01 |
| | | BARLEY | 201.70 | 200.70 | 202.70 | 170.39 |
| Montreal, Que. | Track | WHEAT | 206.81 | 203.91 | 202.31 | 182.57 |
| | | OATS | 299.71 | 293.95 | 265.44 | 164.91 |
| | | BARLEY | 202.52 | 201.52 | 203.52 | 171.21 |
| Moncton, N.B. | Track | WHEAT | 235.09 | 232.19 | 230.59 | 203.75 |
| | | OATS | 323.99 | 318.23 | 289.72 | 188.25 |
| | | BARLEY | N/A | N/A | N/A | 183.32 |
| Truro, N.S. | Track | WHEAT | 233.28 | 230.38 | 228.78 | 203.92 |
| | | OATS | 325.00 | 319.24 | 290.73 | 189.22 |
| | | BARLEY | N/A | N/A | N/A | 196.94 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 280.34 | 277.44 | 275.84 | 247.26 |
| | | OATS | 374.28 | 368.52 | 340.01 | 236.60 |
| | | BARLEY | N/A | N/A | N/A | 245.23 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|---------------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 130.77 | 131.19 | 133.69 | 137.05 |
| To: Montreal, Que. (US Corn) | In-store | | 149.67 | 150.09 | 152.59 | 155.95 |
| From: Chicago (MI) | Track | | 129.52 | 129.93 | 126.24 | 118.02 |
| To: Montreal, Que. (US Corn) | Track | | 158.55 | 158.96 | 155.27 | 145.56 |
| From: Chatham | Track | | 146.15 | 145.66 | 145.86 | 130.01 |
| To: Montreal, Que. | Track | | 169.53 | 169.04 | 169.24 | 152.90 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|---------------|---------------|
| From: Hamilton, Ont. | | | 329.15 | 317.79 | 306.77 | 321.65 |
| To: Montreal, Que. | Track | | 353.57 | 342.21 | 331.19 | 344.12 |
| Moncton, N.B. | Track | | 376.78 | 365.42 | 354.40 | 361.43 |
| Truro, N.S. | Track | | 375.61 | 364.25 | 353.23 | 364.40 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 424.41 | 413.05 | 402.03 | 413.66 |

1. Prices include one month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Bi-weekly Bulletin

December 7, 2001 Volume 14 Number 20



DURUM WHEAT: OUTLOOK

World durum wheat supplies for 2001-2002 have declined from the near-record high level of 2000-2001, due to decreased production in all major growing regions. World durum consumption is expected to continue to grow, due to population increases and changing dietary preferences in many countries. Consumption is forecast to significantly exceed production, so that stocks in the major exporting countries will fall to the lowest level since 1997-1998. This will support durum prices, with a strong premium over spring wheat being maintained. Consequently, world and Canadian durum prices are expected to increase in 2001-2002, although protein premiums may be lower due to high protein in crops from the United States (U.S.) and Canada. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for durum wheat.

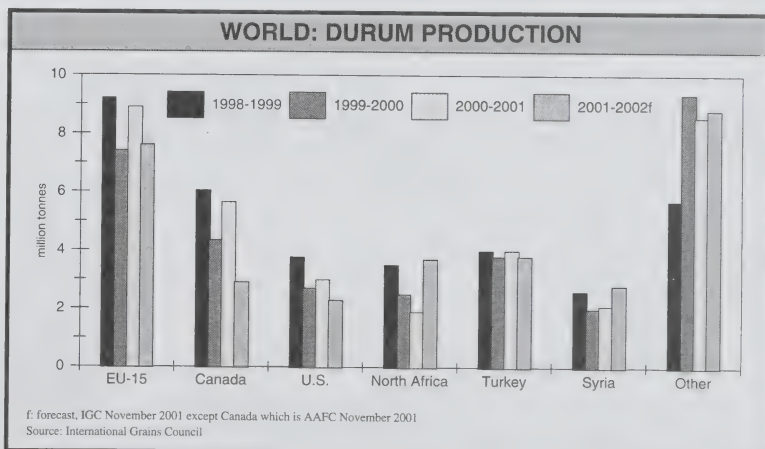
Demand Considerations

Durum wheat (*Triticum durum*) is a separate species from most other commercially grown wheat classes (which are mainly *t. aestivum*), and it therefore has unique characteristics which differ significantly from other classes of wheat. Therefore, there is limited substitutability of common wheat for durum wheat, and vice versa. Good quality durum has a very hard vitreous (i.e. glassy looking) kernel (HVK), with an amber yellow endosperm, compared to the white endosperm of common wheat. Pasta made from durum semolina maintains a desirable firm texture during cooking, and it has a natural amber colour that is associated with good quality pasta. Pasta made from common wheat, even that made from high protein hard red spring wheat, tends to absorb more water in cooking and produce a softer, stickier product, and it is white unless artificial colour is added.

In Europe and North America, pasta products such as spaghetti and macaroni are generally produced

exclusively from durum wheat. New pasta production techniques, such as high temperature drying, have improved the quality of pasta that can be made from common wheat, but discriminating pasta consumers continue to prefer pasta made from 100% durum wheat. In North Africa, durum is preferred for the production of couscous, a staple food in the region. As a result, durum demand tends to be quite price-inelastic, with small shortages resulting in large

increases in durum premiums over common wheat, and vice versa. Even if global supplies of common wheat are large, a shortage of durum can result in high durum prices, as most end-users will be unwilling to switch to common wheat. Conversely, with a limited market beyond traditional pasta and couscous production, a relatively small increase in production can result in large durum price declines, although Canadian Wheat Board (CWB) Pool Returns for



Canadian durum wheat have not been at a discount to spring wheat since 1990-1991.

Production Considerations

The best quality durum is produced in regions having a relatively dry climate, with hot days and cool nights, during the growing season. Durum wheat also yields relatively well under dry conditions, compared to most alternative crops. Durum produced under conditions of higher moisture tends to have a low HVK count, making it less suitable for the production of pasta. Fungal diseases are also more common in moist climates, one of the more serious being fusarium head blight or "scab", which is a serious degrading factor to which no durum variety has resistance. Traditional durum consumption therefore developed in the hot dry regions around the Mediterranean such as North Africa, southern Europe, Turkey, and Syria. In North America, western North Dakota and southern Saskatchewan are the major growing regions, with a small area produced under irrigation in the Arizona and California deserts, where it is mainly grown as a rotation crop with vegetables.

World Outlook

World durum production for 2001-2002 is estimated by the International Grains Council (IGC) at 32 million tonnes (Mt), a decrease of 6% from 2000-2001. However, the major exporters' carry-in stocks were 4.9 Mt, the highest level since 1992-1993, and almost a third higher than the 10-year average. World supplies for 2001-2002 are estimated at 36.9 Mt, 4% below 2000-2001, with the declines almost entirely in the three major exporting countries; Canada, the U.S. and European Union (EU).

The declines in production for 2001-2002 are mainly the result of smaller crops in both North America and southern Europe, with North African production rising to near-normal levels following two years of drought. Seeded area in both Canada and the U.S.

declined sharply, due to expected small premiums over spring wheat prices, and extremely high stock levels. Canadian yields were sharply reduced by drought in Alberta and Saskatchewan, the major durum-producing provinces. Yields in southern Europe were also reduced by dryness.

With the major durum importing region, North Africa, having a larger production for 2001-2002, world durum trade is forecast to fall to 6.9 Mt, from 7.0 Mt (including semolina) in 2000-2001. If stocks in North Africa had not been depleted by two consecutive years of drought, the decline in trade would have been much larger. Despite decreased export demand, smaller production in the exporting countries is projected to result

in world durum stocks dropping by more than half, to 2.6 Mt, the lowest since 1997-1998, and well below the 10-year average of 3.8 Mt. Apparent usage (which includes stock change in countries other than the U.S., EU, and Canada) is expected to rise by 3%, to 34.4 Mt, slightly above the 5-year average.

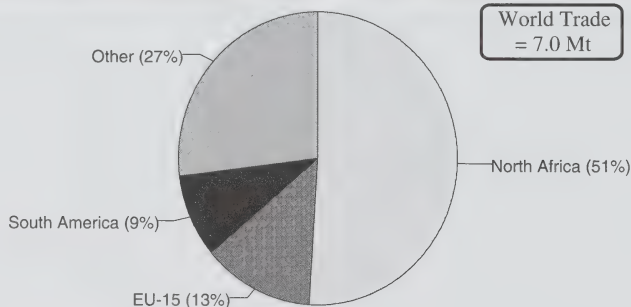
MAJOR EXPORTERS

CANADA

Supply

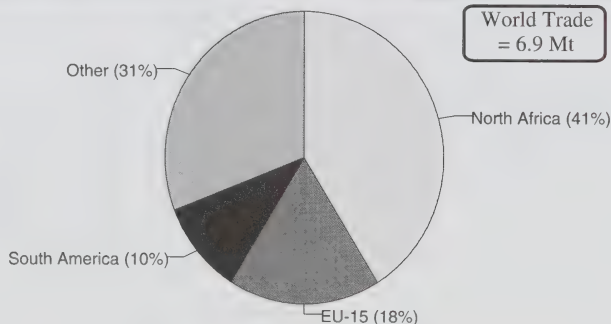
In response to expectations of no premium over Canada Western Red Spring (CWRS) in 2001-2002, and record high farm-held stocks, western Canadian farmers reduced their durum

WORLD: DURUM IMPORTS (2000-2001)



Source: International Grains Council, November 2001 except Canada which is AAFC, November 2001

WORLD: DURUM IMPORTS (2001-2002)



Source: International Grains Council, November 2001 except Canada which is AAFC, November 2001 forecast

area by 15%, to 2.24 million hectares. The CWB Pool Return Outlook (PRO) released on April 26, 2001 projected a discount of \$3 per tonne (t) for No.1 Canada Western Amber Durum (CWAD) with 11.5% protein, versus the comparable grade of CWRS wheat. Additionally, in the summer of 2001, the major durum growing regions of western Canada experienced the worst drought since 1988. Western Canadian durum yields in 2001-2002 are estimated by Statistics Canada at just 1.45 tonnes per hectare (22 bushels per acre {bu/ac}), more than 30% below the previous year. Due to the combination of a smaller area and drought-reduced yields, production fell by almost 50%, to 3.1 Mt, the lowest since 1988-1989. Despite the record

high carry-in stocks, supplies declined by 20%, to 5.9 Mt.

Quality

The quality of the 2000 durum crop is reported to be extremely good, with about 80% of the crop grading No.2 CWAD or higher, compared to the 10-year average of just 55%. Protein content is well above normal, due to the hot dry growing conditions, with No.1 CWAD averaging about 14% protein (13.5% moisture basis), versus 13.2% last year and the 10-year average of just 12.6%.

Exports

Despite the decreased supplies of durum available, Canadian exports (including semolina) are forecast to rise by 9% compared to 2000-2001, to 3.8 Mt. With

increased production in North Africa, import demand from this major market has been reduced. However, durum production in the EU, particularly Italy, is down by 17% from a year ago and this is expected to result in smaller exports from and larger imports into the EU. A smaller U.S. durum crop will mean reduced exports and increased imports for the U.S. This reduced export competition and increased demand will more than offset the loss of some import demand from North Africa. Canada is therefore expected to increase its share of the world durum market in 2001-2002.

Stocks

It is likely that the CWB will be able to accept deliveries of most durum in 2001-2002, and farm held carry-out stocks will fall sharply compared to 2000-2001. Farm-held stocks as of July 31, 2002 are forecast at 0.2 Mt, compared to a record 1.2 Mt on July 31, 2001. Commercial stocks are forecast to fall to 1 Mt from 1.67 Mt a year earlier. Total 2001-2002 carry-over stocks are projected at 1.2 Mt, compared to a record 2.9 Mt in 2000-2001 and the 5-year average of 1.8 Mt.

UNITED STATES

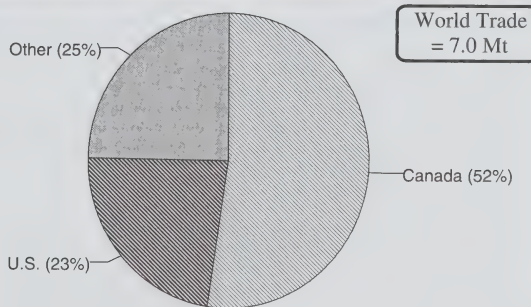
Supply

U.S. durum production is concentrated in North Dakota, which accounts for about 85% of total U.S. durum area. With rising spring wheat prices and large farm-held stocks in the spring of 2001, U.S. durum growers reduced their durum area by 26% from 2000, to just 2.91 million acres, the lowest since 1994. The average yield in 2001 was slightly below-average at 30 bu/ac. U.S. 2001 production, as a result, is down by 24% from 2000, at only 84 million bushels (Mbu) (2.29 Mt), the smallest crop since 1993. Carry-in stocks were 10% lower than for last year, further reducing domestic supplies.

Quality

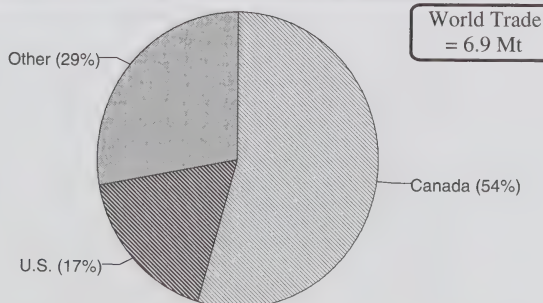
The quality of U.S. 2001 durum is much better than last year, and somewhat better than the 5-year average,

WORLD: SHARE OF DURUM TRADE (2000-2001)



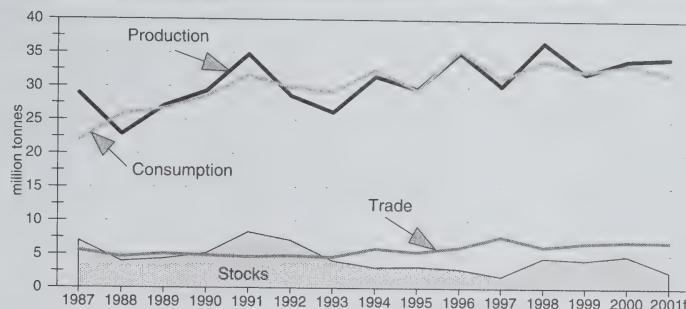
Source: International Grains Council, November 2001 except Canada which is AAFC, November 2001

WORLD: SHARE OF DURUM TRADE (2001-2002)



Source: International Grains Council, November 2001 except Canada which is AAFC, November 2001 forecast

WORLD: DURUM SUPPLY AND DISPOSITION



Note: Stocks include EU, U.S., and Canada

Consumption includes stock change in countries other than EU, U.S., and Canada

f: forecast, IGC, November 2001

Source: IGC

according to the North Dakota Wheat Commission (NDWC). The NDWC surveys durum grown in North Dakota and Montana, with the North Dakota State University Cereal Science Department conducting the quality analysis. The average durum grade in 2001 is No.2 Hard Amber Durum (HAD), versus No.3 HAD last year, and 50% of the crop grades No.2 HAD or better. Over 95% of the crop had a falling number over 350 seconds, compared to less than half of last year's crop. The vitreous kernel count is 88%, compared to 75% in 2000, and the average of 81%, and protein levels are high. This means that supplies of top quality milling durum may be close to or above those of last year, despite the lower production.

Trade

The United States Department of Agriculture projects that U.S. durum exports (June-May) will fall by 10%, to 45 Mbu (including products), due to lower supplies and reduced import demand from North Africa. As of November 8, 2001, U.S. 2001-2002 durum exports (including outstanding sales) were 0.59 Mt, up from 0.55 Mt in 2000-2001. However, with a June-May crop year, this includes several months of old-crop durum, and the pace of exports is expected to decline later in the year. Italy remains the major destination for U.S. durum exports, at

0.39 Mt, more than double that of a year ago. Exports to North Africa have fallen to only 0.09 Mt, down more than 60% from last year. U.S. carry-out stocks are projected to be more than halved in 2001-2002, falling to 20 Mbu (0.54 Mt).

U.S. durum imports from Canada are projected to increase to 0.4-0.5 Mt in 2001-2002, compared to the 0.36 Mt purchased in 2000-2001 (August-July). With extremely good quality Canadian durum being available, and with some fusarium damage to a portion of the U.S. crop, U.S. durum millers are expected to turn to increased imports from Canada. The millers also like the guaranteed supply of consistent quality durum that is available from the CWB.

EUROPEAN UNION

Supply

The EU is the largest durum producer in the world, with production concentrated in Italy, Spain, France, and Greece. However, it is also the largest consumer of durum, and since 1993-1994 it has been a significant net importer of durum wheat. EU durum area decreased slightly in 2001, and yields were below normal levels, particularly in Italy. As a result, EU production decreased by 15%, to 7.6 Mt. With carry-in stocks down by 27%, EU domestic durum supplies have fallen to 8.4 Mt, the lowest since 1997-1998.

Trade

The reduced supplies have resulted in the IGC forecasting a 51% increase in EU import requirements, to 1.3 Mt, the highest since 1997-1998. The EU has imported an average of 0.4 Mt of durum from Canada over the past 5 years, but this is forecast to increase to about 0.5-0.6 Mt in 2001-2002. EU durum exports, which rose to an above average 0.6 Mt in 2000-2001, are expected to fall back to about 0.3 Mt (including semolina) in 2001-2002, slightly below the 5-year average. Semolina exports are projected to be about 0.15 Mt, compared to 0.20 Mt last year. With durum supplies tightening, no EU export subsidies for durum are expected in 2001-2002. EU durum carry-out stocks are expected to decline to 0.6 Mt, the lowest since 1997-1998.

Other Producers

The other major durum producing countries are Turkey, Syria, Kazakhstan, India, Australia, and Mexico.

Turkey is the third largest durum producer in the world, next to the EU and Canada, with production averaging 3.9 Mt over the past 5 years. Turkey exported an average of about 0.3 Mt over the past 5 years. Turkey has a large pasta industry and is a major exporter of pasta. Small quantities of durum, averaging 16,000 tonnes a year, are imported to supplement domestic production, especially in years with a poor quality domestic crop. In 2001-2002, Turkey is expected to export less and import more durum for blending, due to disease problems in its 2001 crop. Turkey is not a major Canadian market, tending to source its imports from the EU and the U.S.

Syrian durum production has risen sharply, from 1.1 Mt in 1990 to 2.8 Mt in 2001. Some durum is exported, especially when world prices are high, with the 5-year average being 0.3 Mt and with 2001-2002 exports forecast at 0.2 Mt. **Kazakhstan** durum production averages about 2.2 Mt annually, with 2.5 Mt produced in 2001. Most Kazakh

durum is consumed within the Former Soviet Union. **Indian** durum production is trending upward, rising from about 1.4 Mt a decade ago to 1.8 Mt in 2001. No Indian durum is expected to be exported, due to poor quality and inadequate segregation in the handling system. **Mexican** durum production has tripled over the past 10 years, from 0.35 Mt in 1992 to 1.1 Mt in 2001. Some Mexican durum is exported, averaging 0.3 Mt over the past 5 years. **Australian** durum production has risen from virtually zero in 1990 to about 0.5 Mt for 2001, and Australia has become a significant durum exporter, with a projected 0.4 Mt exported in 2001-2002, targeting the Italian market.

MAJOR IMPORTERS

North Africa

The four North African countries of Algeria, Morocco, Tunisia, and Libya constitute the largest durum import market in the world. Durum based foods are a cultural tradition in these countries, where most durum is consumed in the form of couscous, which is small balls of semolina steamed and prepared in a similar manner to rice. Traditional breads are also made with durum flour, particularly in Morocco. Domestic production is insufficient to meet requirements, and imports have averaged 2.8 Mt over the past 5 years, representing over 45% of annual consumption.

Grain production in this region is largely dependent on winter rains, which are somewhat unreliable, and as a result production is quite variable, ranging over the past 5 years from a high of 5.6 Mt in 1996 to a low of 1.9 Mt in 2000. Production for 2001 is estimated by the IGC at a slightly above average 3.7 Mt, almost double the drought-reduced 2000 crop. Imports are forecast to decline by 22% compared to last year, to 2.8 Mt, and an even larger decline in imports would have occurred if not for depleted stocks after two years of drought. In 2000-2001, Canada exported a total of 1.97 Mt to this region,

55% of total regional imports. This is expected to decline to between 1.7 and 1.8 Mt in 2000-2001, with Canada increasing its market share to 60-65%. As of September 30, 2001, Canadian exports to North Africa were only 0.08 Mt, versus 0.38 Mt a year earlier.

Other Importers

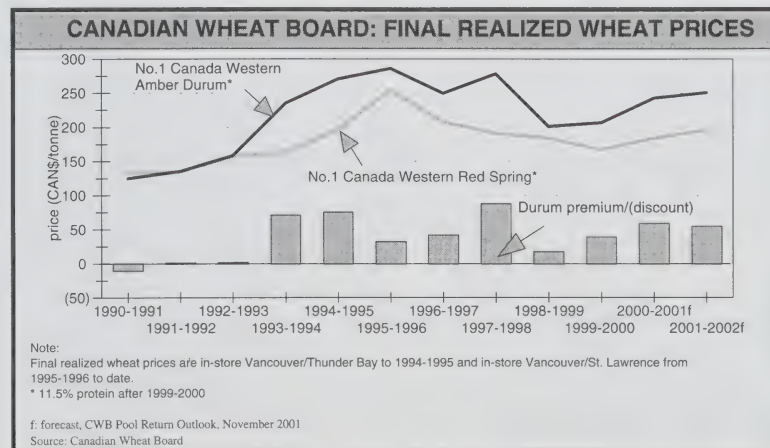
The other major durum importing countries are Japan, Venezuela, Peru, and Chile. The South American countries represent a major growth market for Canadian durum. Pasta has traditionally been produced from common hard wheat in much of South America. However, through market development work by the CWB, the CGC, and the Canadian International Grains Institute, Canadian durum exports into South America have increased steadily over the last decade, to 0.6 Mt in 2000-2001, with a similar level forecast for 2001-2002. Durum imports by Japan have also increased steadily due to changing dietary habits, and are forecast at about 0.2 Mt for 2001-2002, similar to the previous year.

PRICE FORECASTS

World durum prices for 2001-2002 are forecast to increase slightly from 2000-2001, but protein premiums are expected to weaken. From August 1 to November 16, 2001, the U.S. export price for No.2 HAD free on board (FOB) Gulf ports (2 HAD Gulf) has averaged US\$195/t, with the price on November 16

being \$198/t, compared to US\$183/t for the 2000-2001 Canadian August-July crop year. No.3 HAD durum at St. Lawrence ports (3 HAD SL), against which the CWB prices most Canadian durum for overseas export, has averaged US\$175/t, versus the current price of US\$181/t, and US\$162/t for the previous crop year. The premium over Dark Northern Spring wheat with 14% protein (DNS 14) has averaged US\$34/t, well above the US\$22/t seen for 2000-2001. Prices are expected to remain near current levels for the remainder of the 2001-2002 crop year.

The November 2001-2002 CWB PRO for No.1 CWAD with 12.5% protein is CAN\$257/t in-store St. Lawrence or Vancouver (I/S SL/VC), \$3/t above 2000-2001. Prices for high protein durum are expected to decline from last year due to high protein levels in both the Canadian and U.S. crops. The PRO for No.1 CWAD with 14.5% protein is down by \$10/t from 2000-2001, at \$263/t I/S VC/SL. Prices for medium quality durum, however, are forecast to increase from 2000-2001, due to tighter supplies, with the PRO for No.3 CWAD being \$234/t I/S VC/SL, \$10/t higher than last year. The premium for durum over spring wheat is expected to remain relatively high.



OUTLOOK: 2002-2003

It is very early to look ahead to the next crop year, but some general trends can be noted. One is that Canadian durum production is expected to rebound sharply. By the spring of 2002, Canadian producers will be faced with rapidly declining durum stocks and large expected premiums over spring wheat. As a result, durum area is forecast to recover sharply in western Canada. Assuming normal yields, a 5 Mt crop in western Canada for 2002-2003 is possible, although current low subsoil moisture levels would require above-

average winter snowfall and timely spring rains to achieve normal yields. In the U.S., production is not expected to rise significantly since many farmers have experienced three years with quality problems. These farmers may be reluctant to seed durum in 2002, despite high prices for milling quality durum. Improved growing conditions in southern Europe would result in increased EU production. Overall, world supplies, despite sharply lower carry-in stocks, are expected to increase. Unless demand rises concurrently, a decline in durum prices for 2002-2003 would occur. However, weather conditions are an

unknown quantity, and a continuation of the current dry conditions in western Canada could cut into production, or drought could return to North Africa this winter. The trade will watch with interest as weather conditions unfold across the major producing regions of the world, beginning with North African winter rains and continuing into 2002 Saskatchewan summer growing conditions.

For more information:

Glenn Lennox
Wheat Analyst

Phone: (204) 983-8465

E-mail: lennoxg@em.agr.ca

WORLD: DURUM WHEAT PRODUCTION, TRADE AND STOCKS

| | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002f |
|------------------------------|---------------------------|---------------|---------------|----------------|
| |million tonnes | | | |
| PRODUCTION | | | | |
| EU-15 | 9.2 | 7.4 | 8.9 | 7.6 |
| Turkey | 4.0 | 3.8 | 4.0 | 3.8 |
| North Africa | 3.5 | 2.5 | 1.9 | 3.7 |
| Canada | 6.0 | 4.3 | 5.6 | 3.1 |
| Syria | 2.6 | 2.0 | 2.1 | 2.8 |
| U.S. | 3.8 | 2.7 | 3.0 | 2.3 |
| Other | <u>5.7</u> | <u>9.4</u> | <u>8.6</u> | <u>8.9</u> |
| World | 34.8 | 32.1 | 34.1 | 32.2 |
| EXPORTS ^{/1} | | | | |
| Canada | 3.6 | 3.8 | 3.7 | 3.8 |
| U.S. | 1.4 | 1.3 | 1.6 | 1.2 |
| Other | <u>0.9</u> | <u>1.7</u> | <u>1.7</u> | <u>1.9</u> |
| World | 5.9 | 6.8 | 7.0 | 6.9 |
| IMPORTS ^{/1} | | | | |
| North Africa | 2.7 | 3.0 | 3.6 | 2.8 |
| EU-15 | 0.8 | 1.1 | 0.9 | 1.3 |
| South America | 0.6 | 0.6 | 0.6 | 0.7 |
| Other | <u>1.7</u> | <u>2.1</u> | <u>1.9</u> | <u>2.1</u> |
| World | 5.9 | 6.8 | 7.0 | 6.9 |
| CARRY-OUT STOCKS | | | | |
| Canada (July 31) | 1.9 | 1.8 | 2.9 | 1.2 |
| EU-15 (June 30) | 1.1 | 1.1 | 0.8 | 0.8 |
| U.S. (May 31) | <u>1.5</u> | <u>1.3</u> | <u>1.2</u> | <u>0.6</u> |
| Total ^{/2} | 4.5 | 4.2 | 4.9 | 2.6 |

^{/1} Trade data includes semolina (July-June)

^{/2} Canada, EU, and U.S. only

f: forecast, AAFC and IGC, November 2001

Sources: IGC, USDA, CGC, STC

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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Canadian Wheat Board, Market and Industry Services Branch (AAFC)

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday December 03, 2001

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|--------|--------|--------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-------------|--------------|--------------|
| Vancouver | This week | FOB | 175.16 | N/A | 181.16 | 171.00 | | 323.00 | (7) 226.00 | 144.00 | 320.00 | (4) 825.00 | 440.00 | | | | 460.00 |
| B.C. | Week ago | | 175.16 | N/A | 181.16 | 170.00 | | 333.50 | (7) 232.50 | 144.00 | 320.00 | (4) 825.00 | 440.00 | | | | 450.00 |
| Calgary | This week | FOB | 152.00 | N/A | 158.00 | 167.00 | | 316.00 | N/A | | 280.00 | (4) 875.00 | 475.00 | | | | 460.00 |
| Alta | Week ago | | 152.00 | N/A | 158.00 | 165.00 | | 331.00 | N/A | | 280.00 | (4) 875.00 | 475.00 | | | | 450.00 |
| Saskatoon | This week | FOB | 150.50 | 237.50 | 147.00 | 149.00 | | 309.00 | 216.00 | | 290.00 | (4) N/A | 475.00 | | 195.00 | | 490.00 |
| Sask. | Week ago | | 150.50 | 237.50 | 147.00 | 149.00 | | 325.00 | 222.00 | | 290.00 | (4) N/A | 475.00 | | 195.00 | | 480.00 |
| Melfort | This week | FOB | 155.50 | 229.25 | 151.70 | | | | | | | | | | | | |
| Sask. | Week ago | | 157.80 | 227.81 | 152.90 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | N/A | 225.40 | 136.00 | 144.00 | | 292.50 | 206.00 | | 305.00 | (4) 890.00 | 420.00 | | | | 420.00 |
| Man. | Week ago | | N/A | 222.24 | 140.35 | 142.00 | | 308.50 | 212.00 | | 305.00 | (4) 890.00 | 420.00 | | | | 420.00 |
| Thunder Bay | This week | In-store | 164.50 | 247.40 | 159.70 | | | | | | | | | | | | |
| Ont. | Week ago | | 167.80 | 246.10 | 160.90 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 133.35 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 133.53 | | | | | | | | | | | |
| Bay Ports | This week | In-store | 187.50 | 292.00 | 159.70 | | | | | | | | | | | | |
| Ont. | Week ago | | 176.80 | 300.00 | 160.90 | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 146.65 | | | | | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | GLUTEN FEED | DEHY ALFALFA | FEATHER MEAL |
| Ont. | Week ago | | | | | 144.19 | | | | | 281.00 | (5) N/A | 430.00 | 490.00 | 146.00 | 255.00 | 355.00 |
| Toronto | This week | N/A | | | | | FOB | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Hamilton | This week | N/A | | | | | FOB | 301.70 | N/A | | | | | | | | |
| Ont. | Week ago | | | | | | | 321.21 | N/A | | | | | | | | |
| Eastern | This week | FOB | | | | 144.50 | | | | | | | | | | | |
| Ontario | Week ago | | | | | 143.50 | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | FOB | 320.00 | 230.49 | 140.67 | | (5) 795.00 | 287.00 | 490.00 | 148.00 | 225.00 | 390.00 |
| Que. | Week ago | | | | | | | 328.94 | 236.34 | 141.00 | 284.00 | (5) 795.00 | 287.00 | 490.00 | 148.00 | 225.00 | 390.00 |
| Trois-Riv. | This week | In-store | 193.50 | | 194.70 | 159.24 | | | | | | | | | | | |
| Que. | Week ago | | 196.80 | | 195.90 | 159.15 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | 167.25 | 172.50 | 168.13 | (2) 141.92 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | 170.40 | 175.00 | 168.93 | (2) 141.43 | | | | | | | | | | | |
| Quebec | This week | In-store | 193.33 | | 194.07 | 157.01 | FOB | 318.86 | | | | | | | | | |
| Que. | Week ago | | 194.97 | | 195.07 | 156.91 | | 324.70 | | | | | | | | | |
| Truro | This week | Track | 220.59 | 204.95 | 218.12 | 186.77 | FOB | 345.85 | 266.26 | | | | | | | | 390.00 |
| N.S. | Week ago | | 221.02 | 203.06 | 218.57 | 186.97 | | 353.01 | 269.90 | | 318.00 | | 400.00 | | | | 390.00 |
| Truro | This week | Water | 213.70 | N/A | N/A | 174.90 | | | | | | | | | | | |
| N.S. | Week ago | & Truck | N/A | N/A | N/A | 178.00 | | | | | | | | | | | |
| Halifax | This week | In-store | 204.70 | N/A | N/A | 165.90 | FOB | | | 296.50 | | (5) 725.00 | | | | | |
| N.S. | Week ago | | N/A | N/A | N/A | 169.00 | | | | 296.50 | | (5) 750.00 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.57(60) as of December 3, 2001
Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk bins. Canola Meal Protein based on minimum standard of 35%, Gluten Feed 21% Protein, Fish Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3C WRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday December 3, 2001

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|----------------------|--------------------------|--------|-----------|----------|-----|-----------|----------|
| From: Thunder Bay 2 | In-Store | WHEAT | 164.50 | 167.80 | | 161.50 | 139.20 |
| CBOT | | OATS | 247.40 | 246.10 | | 247.00 | 117.77 |
| LETHBRIDGE | | BARLEY | 161.80 | 161.70 | | 158.30 | 126.50 |
| To: Bayports, Ont. | In-store | WHEAT | 187.60 | 190.90 | 1. | 184.60 | 162.30 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 188.95 | 188.85 | 1. | 185.45 | 153.65 |
| Montreal, Que. | In-store | WHEAT | 192.35 | 195.65 | 1. | 189.35 | 167.05 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 194.07 | 193.97 | 1. | 190.57 | 158.77 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 214.82 | 218.12 | | 211.82 | 189.52 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 220.43 | 220.33 | | 216.93 | 185.13 |
| Truro, N.S. | Truck via Halifax | WHEAT | 212.32 | 215.62 | | 209.32 | 187.02 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 215.55 | 215.45 | | 212.05 | 180.25 |
| Halifax, N.S. | In-store | WHEAT | 199.65 | 202.95 | 1. | 196.65 | 174.35 |
| | | OATS | N/A | N/A | 1.0 | N/A | N/A |
| | | BARLEY | 201.87 | 201.77 | 1.0 | 198.37 | 166.57 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 259.43 | 262.73 | | 256.43 | 234.13 |
| | | OATS | 353.60 | 352.30 | | 353.20 | 223.97 |
| | | BARLEY | 268.94 | 268.84 | | 265.44 | 233.64 |
| From: Melfort, Sask. | FOB | WHEAT | 155.50 | 157.80 | | 151.50 | 130.40 |
| | | OATS | 229.25 | 227.81 | | 231.84 | 99.78 |
| | | BARLEY | 151.70 | 152.90 | | 151.30 | 119.80 |
| To: Bayports, Ont. | Track | WHEAT | 204.65 | 206.95 | | 200.65 | 186.52 |
| | | OATS | 286.14 | 284.70 | | 288.73 | 158.65 |
| | | BARLEY | 201.40 | 202.60 | | 201.00 | 173.19 |
| Montreal, Que. | Track | WHEAT | 205.41 | 207.71 | | 201.41 | 187.27 |
| | | OATS | 289.86 | 288.42 | | 292.45 | 159.55 |
| | | BARLEY | 202.22 | 203.42 | | 201.82 | 174.01 |
| Moncton, N.B. | Track | WHEAT | 233.69 | 235.99 | | 229.69 | 208.45 |
| | | OATS | 314.14 | 312.70 | | 316.73 | 182.89 |
| | | BARLEY | N/A | N/A | | N/A | 186.12 |
| Truro, N.S. | Track | WHEAT | 231.88 | 234.18 | | 227.88 | 208.62 |
| | | OATS | 315.15 | 313.71 | | 317.74 | 183.86 |
| | | BARLEY | N/A | N/A | | N/A | 199.74 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 278.94 | 281.24 | | 274.94 | 251.96 |
| | | OATS | 364.43 | 362.99 | | 367.02 | 231.24 |
| | | BARLEY | N/A | N/A | | N/A | 248.03 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|-----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 133.35 | 133.53 | | 129.91 | 135.99 |
| To: Montreal, Que. (US Corn) | In-store | | 152.25 | 152.43 | 1.0 | 148.81 | 154.89 |
| From: Chicago (Mi) | Track | | 132.11 | 132.91 | | 124.89 | 119.33 |
| To: Montreal, Que. (US Corn) | Track | | 161.14 | 161.94 | | 153.92 | 146.87 |
| From: Chatham | Track | | 146.65 | 144.19 | | 146.15 | 134.84 |
| To: Montreal, Que. | Track | | 170.03 | 167.57 | | 169.53 | 157.73 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|----------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 301.70 | 321.21 | | 326.72 | 345.46 |
| To: Montreal, Que. | Track | | 326.12 | 345.63 | | 351.14 | 367.93 |
| Moncton, N.B. | Track | | 349.33 | 368.84 | | 374.35 | 385.24 |
| Truro, N.S. | Track | | 348.16 | 367.67 | | 373.18 | 388.21 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 396.96 | 416.47 | | 421.98 | 437.47 |

1. Prices include one month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

December 14, 2001 Volume 14 Number 21



AUSTRALIA: WHEAT SITUATION AND OUTLOOK

Australia is one of the five major wheat exporting countries in the world and, as such, exerts a significant influence on global wheat prices. Over the past two decades, Australia's wheat production increased considerably as its farmers adopted agronomic practices that allowed wheat yields to virtually double. Wheat exports increased proportionately during this period. With new legislation enacted on July 1, 1999, the statutory Australian Wheat Board (AWB) ceased to exist and AWB Limited (AWB Ltd) was created. It is a grower controlled company predominantly for the export marketing of Australian wheat. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Australia's wheat sector, and of the other major wheat exporters.

BACKGROUND

Australia is the smallest continent and the sixth largest country in the world. Established as a commonwealth nation of the British empire in 1901, it has often been described as an amalgam of the constitutional forms found in the United Kingdom and the United States (U.S.). On one hand, it is characterized by the distinct elements of a monarchy, but it is also a federation under which the division of powers between the Commonwealth and the states are laid down in a written constitution, similar to that of the U.S. Australia's six constituent states are Victoria, Queensland, New South Wales, South Australia, Western Australia, and Tasmania. Each state has its own government and each exercises a limited amount of sovereignty over its affairs.

Australia has a population of over 20 million, much of which is concentrated along the eastern and southeastern coasts. One of the most striking features of this vast country is its isolation, but it is relatively well-

endowed in natural resources such as petroleum, coal, natural gas, iron ore, and other minerals. With about 6% of Australia's land area being arable, there is concern about soil degradation from overgrazing and other poor farming practices, as well as the loss of arable land to industrial development and increased urbanization.

Economy

Australia has a Western-style capitalist economy that relies heavily on exports, especially those of agricultural products, metals and fossil fuels. However, with relatively low commodity prices in recent years and the lingering effects of the Asian financial crisis, the Australian government is looking to increase exports of manufactured goods as a means of reducing unemployment and stimulating economic growth.

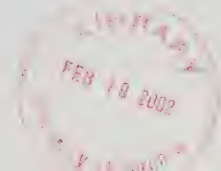
For the most part, Australia's economy has experienced good growth in recent years, but its dollar has steadily weakened since mid-1999, losing about 30% of its value relative to the U.S. dollar. The relatively low Australian dollar has enhanced exporters' ability to

compete in the world markets for primary and manufactured goods.

AWB LTD

AWB Ltd is Australia's major grain marketing organization, and it was established under the Commonwealth Government's *Wheat Marketing Act 1999*. Owned by some 38,000 grain growers and 67,000 investors, it is one of the largest wheat marketing companies in the world. It is also responsible for financing payments to its member growers. Single desk authority for wheat exports is held by AWB (International) Ltd, a wholly-owned subsidiary of AWB Ltd. Another subsidiary, AWB Finance Ltd, provides financial services to growers in the area of underwriting and loans, and it also provides working capital for AWB (International) Ltd.

The core business function of AWB Ltd is serving the needs of Australian grain growers. Although the company is responsible for managing and marketing all Australian bulk wheat exports, it also deals with other



Canada

commodities such as barley, sorghum, oilseeds, and pulse crops. Wheat accounts for about 90% of the grain managed by AWB Ltd, and this activity alone accounts for about 3% of the total value of Australia's exports and 12% of total farm exports.

The Wheat Export Authority (WEA) is a statutory body responsible for monitoring the performance of AWB (International) Ltd. The WEA also considers applications from organizations other than AWB (International) Ltd that wish to export Australian wheat in bags or containers. In response to a review of the *Wheat Marketing Act 1989*, which was conducted in early 2001, the WEA is developing a revised export consent system for wheat. Included will be provisions for quarterly consents for exporters and annual consents for niche markets, all of which would be granted under specific WEA guidelines. The revised consent system is intended to be more transparent, and it is expected to provide more certainty to wheat exporters in the container and niche markets. Despite recommendations for partial abandonment of AWB Ltd's export monopoly status, the integrity of its single desk function for bulk wheat exports remains intact.

SHARE STRUCTURE OF AWB LTD

A Class shares can be held only by growers who produce at least 100 tonnes (t) of wheat annually, calculated on a three year moving average. Qualifying growers receive one A Class share, regardless of whether they deliver their wheat to AWB Ltd. They receive an additional share if they deliver between 33.3 and 500 t to AWB Ltd, and an additional share thereafter for each 500 t (or part of) delivered to the Company. A Class shares cannot be transferred, and must be redeemed when a shareholder ceases to qualify as a wheat grower. A Class shares do not pay dividends, but these shareholders control the activities of AWB Ltd, including the election of the majority of

the Board of Directors.

B Class shares are freely traded between growers and non-growers, subject only to the restriction that no single shareholder hold more than 10% of the outstanding B Class shares at the time. B Class shares represent the economic value of AWB Ltd, and such shareholders receive dividends on their investment. They also elect a minority of the Board of Directors. Although AWB Ltd is structured to provide transparency, flexibility and strong governance in maximizing net pool returns for its member growers, the Company also seeks reasonable returns for its B Class shareholders.

Australia's grain growers were allocated B Class shares in proportion to the equity they held in the now defunct Wheat Industry Fund (WIF). The WIF was established under the *Wheat Marketing Act 1989* to underwrite AWB borrowing and to allow the AWB to diversify into value-added activities such as grain processing facilities in China, Egypt, and Vietnam. The WIF was funded by a 2% levy on growers' wheat marketings, net of freight and handling costs.

WHEAT

Wheat is Australia's largest grain crop, most of which consists of fall seeded or "winter" varieties. Although wheat is produced in all states, between 60% and 70% of the wheat is produced in Western Australia and New South Wales. The advantage of having wheat production spread over a wide geographical area is that adverse climate conditions in any specific area have a limited effect on overall production. As a result, year-to-year variations in total wheat production, even in the case of extremely unfavourable weather conditions, are often mitigated.

Australia's wheats are primarily varieties that have a light-coloured or white bran, and this makes it relatively easy for its exporters to differentiate their product from that of the other major wheat exporting countries including Canada. Millers generally prefer the lighter coloured bran varieties to those with a darker bran because of the higher extraction rates associated with milling wheat flour.

Australia's wheat exports over the past two decades have averaged 80% of its annual wheat production and exports have never been lower than 60% during this period. The proportion of wheat production exported was highest, at about 99%, in 1985-1986 when carry-in stocks were at a record high level. Australia's major wheat customers in recent years have been Iran, Egypt, Indonesia, Iraq, South Korea, Japan, Pakistan, and Malaysia.

SITUATION

World
For 2000-2001, world wheat **production**, estimated at 582 million tonnes (Mt), decreased for the third consecutive year. Much of the decrease is attributed to a 13% reduction in China's wheat production as a result of both lower harvested area and smaller yields. There were also significant reductions in wheat production in Pakistan and the European Union (EU). Generally, lower world **production** of wheat

| WORLD: WHEAT SUPPLY AND DISPOSITION | | | | |
|--|--------------------------|---------------|---------------|--|
| July-June crop year | 1999 -2000 | 2000 -2001 | 2001 -2002 | |
| |million tonnes..... | | | |
| Carry-in Stocks | 175.8 | 170.1 | 163.0 | |
| Production | 585.9 | 582.3 | 577.0 | |
| Total Supplies | 761.7 | 752.4 | 740.0 | |
| Total Use | 591.6 | 589.5 | 596.0 | |
| Carry-out Stocks | 170.1 | 163.0 | 144.0 | |
| Trade | 112.3 | 102.9 | 107.2 | |
| Stocks-to-Use Ratio | 28.8% | 27.7% | 24.2% | |
| Source: USDA | | | | |

reflects farmers' reaction to market conditions where, faced with low wheat prices, they have switched to other crops in order to improve their profitability.

World **consumption** of wheat, estimated at 590 Mt, decreased marginally in 2000-2001, but still exceeded production for the second consecutive year. Considerably lower wheat consumption in the Former Soviet Union (FSU) and South Asia more than offset higher wheat consumption in major wheat producing countries such as Australia, Canada, and the EU. **Carry-out stocks** of wheat for 2000-2001 are estimated at 163 Mt, down about 4 Mt from the previous year.

Australia

For 2000-2001, Australian wheat **production** was 23.8 Mt, down slightly from the record harvest in 1999-2000. Although Western Australia and Queensland experienced drier-than-normal growing conditions in 2000-2001, both Victoria and South Australia had bumper crops, offsetting reduced production in the drier areas. In terms of **quality**, parts of New South Wales received excessive rainfall during harvest and, as a result, a significant amount of wheat was downgraded to feed and general purpose grades. This was partially

offset by very good quality wheat produced in some of the other wheat producing states. New South Wales was Australia's largest wheat producing state in 2000-2001, but that was an anomaly. Western Australia is, on average, Australia's largest wheat producing state.

For 2000-2001, Australia's wheat **exports** are estimated at 15.9 Mt, down about 1% from 1999-2000, despite a small increase in the total wheat **supply**, estimated at 27.4 Mt. Poor weather conditions during harvest affected the amount of good quality wheat available for export in 2000-2001.

OUTLOOK

World

For 2001-2002, world wheat **production** is forecast by the United States Department of Agriculture (USDA) at 577 Mt, about 5 Mt lower than the previous year, and the smallest crop since 1995-1996. The decrease is attributed to lower production in the major wheat producing countries such as the U.S., China, the EU, India, Canada, Australia, Pakistan, and Turkey. In the EU, the wheat crop is expected to be about 13 Mt smaller due to reduced harvested area and lower yields. Similarly, wheat crops in U.S. and China are expected to decrease by

2001-2002, exceeding total production for the fourth consecutive year. Human consumption of wheat is expected to increase moderately, reflecting the general slowdown in the global economy, but still maintaining the momentum attributed to higher family incomes and the increased adoption of Western-style diets. Wheat feed use is expected to increase with a general expansion of the livestock industry. In the FSU and Ukraine, for example, feed wheat consumption is expected to increase significantly as a result of a burgeoning poultry industry. An exception is the EU where, despite the ban on meat and bone meal for livestock rations, demand for feed wheat is expected to decrease due to the availability of imported soybean meal and relatively inexpensive domestic corn.

World wheat **trade** is forecast at 107 Mt, up 4.3 Mt from 2000-2001, with significant increases in imports by countries such as South Korea, Nigeria, Turkey, and China. Ukraine and Russia are expected to capture much of the increased wheat trade, while traditional wheat exporting countries such as Canada and Australia are expected to scale back wheat exports because of smaller crops in 2001-2002.

Australia

For 2001-2002, the USDA forecasts Australian wheat **production** at 22.0 Mt, down about 7% from the previous year. Inadequate rainfall during the planting season and low levels of subsoil moisture in the major wheat growing areas reduced yield prospects for many Australian wheat growers, especially those in Western Australia and Queensland. As well, delays in planting due to dryness reduced the amount of land area seeded to wheat.

Wheat **carry-out stocks** are forecast to decrease considerably in 2001-2002 in order to meet demand in a year of relatively low production. AWB Ltd is not expected to ration the amount of wheat available for export. Rather

AUSTRALIA: WHEAT SUPPLY AND DISPOSITION

| October-September crop year | 1999 -2000 | 2000 -2001 | 2001 -2002 |
|--|--------------------------|---------------|---------------|
| |million tonnes..... | | |
| Carry-in Stocks | 1.87 | 3.61 | 4.63 |
| Production | 24.76 | 23.77 | 22.00 |
| Imports* | <u>0.05</u> | <u>0.05</u> | <u>0.05</u> |
| Total Supplies | 26.68 | 27.43 | 26.68 |
| Consumption | 5.22 | 6.87 | 5.50 |
| Exports | <u>17.84</u> | <u>15.93</u> | <u>17.50</u> |
| Total Use | 23.06 | 22.80 | 23.00 |
| Carry-out Stocks | 3.61 | 4.63 | 3.68 |
| Australian Prime Hard pool return (AUS\$/t)** | 239 | 262 | 283 |

* Processed wheat products such as pasta, etc.

Source: USDA, except ** which are Australian Wheat Board

7 Mt and 6 Mt, respectively. Larger crops forecast for the FSU, Ukraine, Hungary, Morocco, and Argentina are expected to partially offset lower production in the other major wheat producing countries.

World wheat **consumption** is forecast to increase slightly to 596 Mt in

than turning away customers, AWB Ltd expects Australia's wheat carry-out stocks to decrease to what is referred to as "pipeline stocks", which could be as low as 1 Mt for 2001-2002. Australia's wheat **exports** are forecast to increase by about 10%, to 17.5 Mt. With a combination of higher wheat prices and increased exports, the value of these exports is forecast at AUS\$4.4 billion, up 17% from 2000-2001. The major markets for Australian wheat are Middle Eastern and Asian countries such as Iran, Iraq, Korea, Indonesia, and Japan. According to AWB Ltd, tensions as a result of terrorist attacks on the U.S.

on September 11, 2001, are not expected to have much of an effect on Australia's shipments of wheat to its traditional customers in the Middle East. AWB Ltd's marketing campaigns in Iraq and Iran, their first and third most important customers in recent years, are proceeding as planned.

PRICES

With considerably lower world carry-out stocks of wheat forecast for 2001-2002, as consumption continues to outpace production, world wheat prices are expected to strengthen. The average pool return on **Australian** prime hard

wheat for 2001-2002 is forecast by ABARE at AUS\$283/t, up about 9% from 2000-2001. In the **U.S.**, the USDA is forecasting an average farm price of US\$2.75-2.95 per bushel (/bu), a range whose mid-point is 9% higher than the estimate of US\$2.62/bu for 2000-2001. In **Canada**, the Canadian Wheat Board November 2001-2002 Pool Return Outlook (PRO) for No.1 Canada Western Red Spring 13.5% is CAN\$211/t (in-store Vancouver/St. Lawrence) compared to the final price of \$203/t for 2000-2001.

For more information:

Stan Spak
Market Analyst
Phone: (204) 983-8467
E-mail: spaks@em.agr.ca

BIOTECHNOLOGY IN AUSTRALIA

Biotechnology is a term typically used in reference to technologies such as molecular diagnostic testing and the development of genetically modified organisms (GMO). Specifically, by inserting or deleting specific genetic material into the DNA of a plant or animal, it is possible to confer desirable traits into living organisms. Traits derived from this technology include herbicide resistance in plants and disease resistance in animals, and these are seen as beneficial in terms of increasing world food production and reducing dependence on herbicides, insecticides and fungicides. The new technology is also seen as key to providing solutions to environmental problems such as soil contamination and other forms of environmental degradation. For example, scientists are working on developing salt-tolerant plants to revitalize land seriously affected by salt degradation.

As of June 21, 2001, gene technology in Australia, as it relates to GMO, is regulated under the *Gene Technology Act 2000*. The legislation was enacted to protect the health and safety of people and their environment by identifying risks associated with gene technology and by managing those risks through specific regulations dealing with GMO. The Office of Gene Technology Regulation has been granted power to prosecute any organization that does not comply with the regulatory requirements. Depending on the severity of the offence, organizations involved in GMO research who fail to comply with the regulations face loss of accreditation, fines, and/or imprisonment.

There have been no GMO crops released for commercial use in Australia. However, the Australian government supports continued GMO crop trials provided they are carried out under strict controls. As of July 2001, Australia and New Zealand are reputed to have the world's strictest labelling requirements for any food products containing GMO ingredients. This means that almost all foods with GMO ingredients will have to be labelled, except for highly processed foods that contain no detectable amounts of GMO.

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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CANADA: GRAINS AND OILSEEDS OUTLOOK

DECEMBER 12, 2001

Production of grains and oilseeds for 2001-02 in Canada is estimated by Statistics Canada at 51.5 million tonnes (Mt) compared to 61.7 Mt in 2000-01 and the 10-year average of 59.8 Mt. In Western Canada, production decreased by over 20% from 2000-01, largely due to drought in Alberta and Saskatchewan. The proportion of the western wheat and durum crops falling into the top two grades is about 90% and 80% respectively vs. normal levels of 65% to 70% for both crops. Protein levels are high, with Canadian Grain Commission data indicating an average protein content for No.1 CWRS wheat of 14.4%, versus the 10-year average of 13.3%. This is due to the hot dry growing season and dry weather at harvest. In Eastern Canada, production increased by 2% from the extremely low level of 2000-01, with increased corn production more than offsetting a decline in the production of soybeans and winter wheat. In much of Eastern Canada, dry conditions resulted in below normal yields for corn and soybeans. Autumn rains delayed the harvest and prevented the seeding of a portion of the 2002-03 winter wheat crop.

Total Canadian exports of grains and oilseeds are forecast by AAFC to fall by 13%, to 24 Mt, with only durum wheat, corn and flaxseed exports expected to increase. Average prices for all Canadian grains and oilseeds, except soybeans, are expected to be higher than in 2000-01.

WHEAT (ex-durum)

Production decreased by 13%, to 18.2 Mt, the lowest since 1988-89, largely due to the drought in Saskatchewan and Alberta. Although higher carry-in stocks partly offset the lower production, supplies are down by almost 10% from last year. Exports will be limited by the reduced supplies, and are forecast to fall by 6%, to 12.5 Mt, vs. the 10-year average of 15.6 Mt. Feed use is expected to decline due to tight supplies and good quality. Carry-out stocks are forecast to decline by more than 20%, to 5.0 Mt, the lowest since 1995-96. The Canadian Wheat Board (CWB) Nov. 2001-02 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$200/t, in-store Vancouver/St. Lawrence, well above the 2000-01 final realized price of \$182.41/t. Ontario winter wheat production is down by 23%, at 1.1 Mt, but quality is good. The Ontario Wheat Producers' Marketing Board's 2001-02 pool return for No.1 CEWW wheat is projected by AAFC at \$135-140/t, vs. last year's final realized price of \$110/t.

DURUM

Production decreased by 46%, to 3.06 Mt, the lowest level since 1988-89, due to lower seeded area and drought. This is partly offset by record high carry-in stocks, but supplies are down by 20% from 2000-01 at 5.9 Mt, vs. the 10-year average of 6.2 Mt. Exports are forecast to rise by 9%, to 3.8 Mt. As a result of lower production in the EU and US, Canada is expected to increase its share of the world durum market. Carry-out stocks are projected to decrease to 1.2 Mt. The CWB Nov. 2001-02 PRO for No.1 CWAD 11.5% protein is \$254/t, I/S VC/SL, vs. the 2000-01 final realized price of \$242.61/t. The premium over No.1 CWRS 11.5% is \$54/t, vs. about \$61/t in 2000-01 and the 10-year average of \$43/t.

BARLEY

Production decreased by 16%, due to lower yields, lower seeded area, and increased abandonment. Supplies are at the lowest level since 1992-93. Exports of both feed and malting barley are expected to decline from last year. Feed use is expected to fall by 8%. Carry-out stocks are forecast to decline sharply, to the lowest level of recent times. The CWB Nov. PRO for No.1 CW Feed Barley is \$180/t, compared with the 2000-01 final realized price of \$142.86/t. Prices for malting barley are forecast to increase from 2000-01, as lower supplies are expected to result in an increased portion of sales to high priced markets. The CWB Nov. PRO for Special Select 2-Row Designated barley is \$217/t, vs the 2000-01 final realized price of \$201.01/t.

OATS

Production and supply fell by about 20% despite higher seeded area. Light-weight oats have been reported in Manitoba, further limiting supplies of high quality oats for domestic milling and the export market. Carry-out stocks are forecast to fall to the lowest level in recent times. Oat prices are forecast to increase significantly due to lower carry-out stocks.

CORN

Production increased by 20% due to higher seeded area and improved yields, despite dry growing conditions. Imports of US corn into Western Canada are forecast to increase sharply due to reduced barley supplies, while imports into Eastern Canada are forecast to decline. Domestic use is expected to increase as a result of higher corn feeding in Western Canada. Ontario corn prices are expected to increase due to higher US prices, with Ontario corn expected to continue to be priced on an import competitive basis.

CANOLA

Production decreased by 29% to 5.1 Mt but supply decreased even more dramatically, to the lowest level since 1992-93, due to reduced carry-in stocks. Exports are forecast to fall by about 40%, to 3.0 Mt, mainly due to lower shipments to China. Domestic crush is also expected to drop sharply, to 2.6 Mt, due to tight supplies. Carry-out stocks are projected to decline to the very low level of 0.4 Mt. Canola prices are forecast to increase by 22%.

FLAXSEED (excluding solin)

Production increased marginally but, due to lower carry-in stocks, supply has decreased by about 10%. Exports are forecast to rise due to increased import demand from the EU. Carry-out stocks are expected to decline and prices are forecast to increase by about 25%.

SOYBEANS

Production decreased significantly due to lower yields as the result of dry growing conditions, insect infestations and wet weather during harvest. Domestic supply is about 40% below 2000-01. However, domestic crush is expected to remain similar to 2000-01 leading to a major increase in soybean imports from the US and a significant decrease in Canadian exports. Carry-out stocks are expected to fall sharply. Chatham prices are forecast to be similar to 2000-01, as support from tight domestic supplies and the weak Canadian dollar offsets pressure from lower US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains.....Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca
www.agr.gc.ca/mad-dam/

CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS DECEMBER 12, 2001

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|----------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 1999-2000 | 1,769 | 2.45 | 4,341 | 9 | 6,288 | 3,575 | 263 | 422 | 937 | 1,775 | 207 |
| 2000-2001 | 2,614 | 2.16 | 5,647 | 10 | 7,432 | 3,487 | 270 | 589 | 1,073 | 2,873 | 243 |
| 2001-2002f | 2,100 | 1.45 | 3,055 | 10 | 5,938 | 3,800 | 275 | 403 | 938 | 1,200 | 254 * |
| Wheat Except Durum | | | | | | | | | | | |
| 1999-2000 | 8,606 | 2.63 | 22,600 | 6 | 28,093 | 14,737 | 2,697 | 3,865 | 7,391 | 5,964 | 168 |
| 2000-2001 | 8,349 | 2.53 | 21,157 | 50 | 27,171 | 13,269 | 2,808 | 3,861 | 7,567 | 6,335 | 182 |
| 2001-2002f | 8,958 | 2.03 | 18,228 | 50 | 24,613 | 12,500 | 2,803 | 3,550 | 7,113 | 5,000 | 200 * |
| All Wheat | | | | | | | | | | | |
| 1999-2000 | 10,375 | 2.60 | 26,941 | 14 | 34,380 | 18,313 | 2,960 | 4,287 | 8,329 | 7,739 | |
| 2000-2001 | 10,963 | 2.44 | 26,804 | 60 | 34,604 | 16,756 | 3,077 | 4,451 | 8,640 | 9,208 | |
| 2001-2002f | 11,059 | 1.92 | 21,282 | 60 | 30,550 | 16,300 | 3,078 | 3,953 | 8,050 | 6,200 | |
| Barley | | | | | | | | | | | |
| 1999-2000 | 4,069 | 3.24 | 13,196 | 33 | 15,966 | 2,392 | 393 | 9,902 | 10,736 | 2,838 | 110 |
| 2000-2001 | 4,551 | 2.96 | 13,468 | 40 | 16,346 | 2,639 | 360 | 10,456 | 11,253 | 2,454 | 129 |
| 2001-2002f | 4,354 | 2.61 | 11,355 | 100 | 13,909 | 1,700 | 385 | 9,669 | 10,509 | 1,700 | 145-175 |
| Corn | | | | | | | | | | | |
| 1999-2000 | 1,141 | 8.03 | 9,161 | 1,023 | 11,069 | 226 | 2,020 | 7,240 | 9,291 | 1,552 | 107 |
| 2000-2001 | 1,088 | 6.27 | 6,827 | 2,872 | 11,251 | 100 | 2,145 | 8,092 | 10,271 | 880 | 120 |
| 2001-2002f | 1,233 | 6.60 | 8,171 | 2,500 | 11,551 | 150 | 2,225 | 8,344 | 10,601 | 800 | 120-150 |
| Oats | | | | | | | | | | | |
| 1999-2000 | 1,398 | 2.60 | 3,641 | 4 | 4,733 | 1,532 | 191 | 1,728 | 2,079 | 1,122 | 113 |
| 2000-2001 | 1,299 | 2.61 | 3,389 | 8 | 4,519 | 1,807 | 115 | 1,582 | 1,872 | 840 | 114 |
| 2001-2002f | 1,282 | 2.16 | 2,769 | 35 | 3,644 | 1,475 | 150 | 1,431 | 1,769 | 400 | 190-220 |
| Rye | | | | | | | | | | | |
| 1999-2000 | 169 | 2.29 | 387 | 4 | 557 | 85 | 69 | 223 | 311 | 161 | |
| 2000-2001 | 115 | 2.27 | 260 | 5 | 426 | 90 | 66 | 166 | 248 | 88 | |
| 2001-2002f | 102 | 1.90 | 194 | 5 | 287 | 75 | 66 | 75 | 162 | 50 | |
| Mixed Grains | | | | | | | | | | | |
| 1999-2000 | 153 | 2.92 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2000-2001 | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002f | 133 | 2.79 | 371 | 0 | 371 | 0 | 0 | 371 | 371 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 1999-2000 | 6,930 | 3.87 | 26,832 | 1,064 | 32,772 | 4,235 | 2,673 | 19,539 | 22,864 | 5,673 | |
| 2000-2001 | 7,181 | 3.39 | 24,327 | 2,925 | 32,924 | 4,636 | 2,686 | 20,677 | 24,026 | 4,262 | |
| 2001-2002f | 7,105 | 3.22 | 22,859 | 2,640 | 29,761 | 3,400 | 2,826 | 19,889 | 23,411 | 2,950 | |
| Canola | | | | | | | | | | | |
| 1999-2000 | 5,564 | 1.58 | 8,798 | 124 | 9,556 | 3,885 | 2,983 | 493 | 3,515 | 2,156 | 288 |
| 2000-2001 | 4,816 | 1.48 | 7,126 | 224 | 9,506 | 4,863 | 3,013 | 544 | 3,589 | 1,054 | 291 |
| 2001-2002f | 3,886 | 1.30 | 5,062 | 250 | 6,366 | 3,000 | 2,550 | 371 | 2,966 | 400 | 340-370 |
| Flaxseed | | | | | | | | | | | |
| 1999-2000 | 777 | 1.32 | 1,022 | 2 | 1,175 | 568 | n/a | n/a | 221 | 386 | 237 |
| 2000-2001 | 591 | 1.17 | 693 | 11 | 1,090 | 614 | n/a | n/a | 203 | 273 | 261 |
| 2001-2002f | 652 | 1.08 | 702 | 10 | 985 | 700 | n/a | n/a | 135 | 150 | 310-340 |
| Soybeans | | | | | | | | | | | |
| 1999-2000 | 1,004 | 2.77 | 2,781 | 455 | 3,478 | 949 | 1,712 | 493 | 2,277 | 252 | 256 |
| 2000-2001 | 1,061 | 2.55 | 2,703 | 431 | 3,386 | 746 | 1,697 | 694 | 2,460 | 180 | 256 |
| 2001-2002f | 1,031 | 1.53 | 1,582 | 1,000 | 2,762 | 550 | 1,700 | 342 | 2,112 | 100 | 240-270 |
| Total Oilseeds | | | | | | | | | | | |
| 1999-2000 | 7,345 | 1.72 | 12,602 | 581 | 14,208 | 5,402 | 4,695 | 986 | 6,013 | 2,794 | |
| 2000-2001 | 6,468 | 1.63 | 10,522 | 666 | 13,982 | 6,223 | 4,710 | 1,238 | 6,252 | 1,507 | |
| 2001-2002f | 5,568 | 1.32 | 7,346 | 1,260 | 10,113 | 4,250 | 4,250 | 713 | 5,213 | 650 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 1999-2000 | 24,650 | 2.69 | 66,374 | 1,659 | 81,361 | 27,949 | 10,329 | 24,812 | 37,205 | 16,206 | |
| 2000-2001 | 24,612 | 2.51 | 61,653 | 3,651 | 81,510 | 27,615 | 10,473 | 26,366 | 38,918 | 14,977 | |
| 2001-2002f | 23,731 | 2.17 | 51,488 | 3,960 | 70,425 | 23,950 | 10,154 | 24,555 | 36,675 | 9,800 | |

- (a) Aug.-July crop year except corn and soybeans which are September - August.
 (b) Excludes imports of products.
 (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.
 (d) Includes seed use.
 (e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver);
 Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (No. 2, CBOT nearby Cdn \$/t); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB PRO: November 2001. Prices for No.1 CWRS and No.1 CWAD with 11.5% protein for 2000-01 and 2001-02. This is comparable to prices for 1999-00 and previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, December 12, 2001

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: SPECIAL CROPS OUTLOOK

DECEMBER 12, 2001

Total Canadian production of special crops in 2001-02 decreased by 23% to 3.8 million tonnes (Mt), based on Statistics Canada's November Estimate of Production of Principal Field Crops. For most special crops, lower yields and higher abandonment rates, because of drought in most of Saskatchewan and Alberta, and insufficient moisture in Ontario, more than offset the increase in seeded area. The quality of the special crops is generally better than for 2000-01 and the 10-year average.

Despite projected lower exports and domestic use, carry-out stocks are forecast to fall sharply due to lower supplies. Compared to 2000-01, average prices are forecast to increase sharply for canary seed, mustard seed and dry beans, with smaller increases for dry peas, lentils, sunflower seed and buckwheat. A small decrease is forecast for chick peas.

DRY PEAS

For 2001-02, Canadian production decreased by 23%, as the higher harvested area was more than offset by lower yields. Production of the yellow and green types decreased proportionately. The quality is generally good, but there are reports of bleaching in some green peas. Total supply decreased by 27%. Total world supply is estimated to decrease by 10% to 10.5 Mt, due to lower world production, mainly because of lower Canadian production, and carry-in stocks. Canadian exports and domestic use are forecast to decrease because of lower supply. Carry-out stocks are forecast to decrease to a very low level. The average price over all types, grades and markets is forecast to increase by about 25%, due to the lower Canadian and world supply.

LENTILS

For 2001-02, Canadian production decreased by 36%, as the slightly higher harvested area was more than offset by lower yields. Production of all types decreased, with large decreases for the green types and a smaller decrease for the red type. The quality is generally good, but, on average, the seed size for large green lentils is smaller than in 2000-01. Total supply decreased by only 20% because of higher carry-in stocks. Total world supply is estimated to decrease slightly to 3.5 Mt, as lower production in Canada has more than offset higher production in the Middle East and higher world carry-in stocks. Canadian exports are expected to decrease, as Canada's share of total world supply decreases to 22.7% from 28.1% in 2000-01. Carry-out stocks are forecast to decrease, with a s/u ratio of 14%. The average price, over all types and grades, is forecast to increase by about 5% because of higher expected prices for the large green type and higher average quality.

DRY BEANS

For 2001-02, Canadian production decreased slightly, due to lower harvested area. Production of white pea beans decreased by 10% to about 100,000 t, while coloured bean production was similar to 2000-01, at about 160,000 t. The quality is generally good, but the size of kidney and cranberry beans is more variable than in 2000-01 and, on average, smaller. Total supply decreased by 7% because of lower production and expected lower imports.

Exports are forecast to increase because of a smaller world supply for the classes of dry beans produced in Canada. Carry-out stocks are expected to decrease significantly to a very low level. US production is expected to decrease by about 30%. Total US and Canadian supply is expected to decline by about 30%. Therefore, the average price, over all classes and grades, is forecast to increase by about 40%.

CHICK PEAS

For 2001-02, Canadian production increased by 20%, as a larger harvested area more than offset lower yields. The largest increase in production was for the small kabuli type, with a smaller increase for the large kabuli type. Production of the desi type decreased. The quality is generally good, although the seed size of the large kabuli type is, on average, smaller than in 2000-01. Total supply is forecast to increase by 21%. Total world supply is estimated to increase by 10% to 7.4 Mt, due to higher production in Canada, the Middle East, India and Australia. Canada's share of total world supply increased to 6.7% from 6.0% in 2000-01. Canadian exports are forecast to increase sharply because of strong demand, especially during the first half of 2001-02, and the increase in Canada's share of world total supply. Carry-out stocks are forecast to increase with a s/u ratio of 9%. The average price, over both kabuli and desi types and all sizes and grades, is forecast to decrease by about 5%, as pressure from higher world supply is partly offset in Canada by higher quality and a shift to the production of the higher priced kabuli type.

MUSTARD SEED

For 2001-02, Canadian production decreased by 56% due to lower harvested area and yields. The quality is generally good. Production decreased sharply for the oriental and brown types, with a smaller decrease for the yellow type. However, carry-in stocks for the yellow type were much lower than for the brown and oriental types. Total supply is forecast to decrease by 40%. Exports are expected to decrease because of the lower supply. Carry-out stocks are forecast to decrease sharply to a very low level. The average price, over all types and grades, is forecast to increase by about 85% because of the lower supply and a shift to the production of the higher priced yellow type.

CANARY SEED

For 2001-02, Canadian production decreased by 46%, due to lower harvested area and yields. Total supply decreased by 38%. The quality is generally good. Total world supply is estimated to fall by 35% to 215,000 t. Canadian exports are expected to decrease because of the smaller supply. Carry-out stocks are forecast to decrease sharply to a very low level. The average price is forecast to rise by about 140%.

SUNFLOWER SEED

For 2001-02, Canadian production is decreased by 18%, due to lower harvested area and yields. Production of the confectionary type decreased by 16% to 75,000 t, while production of the oil type decreased by 23% to 23,000 t. The quality is generally good. Total supply decreased by 19%. Total world supply is estimated to decrease by 9% to 22.34 Mt. Total US and Canadian supply of the confectionary type is estimated to decrease slightly, with a sharper decrease for the oilseed type. Canadian exports and domestic use are expected to decrease because of the lower supply. Carry-out stocks are forecast to decrease significantly to a very low level. The reduced world supply is expected to support prices. Therefore, the average Canadian price over both confectionary and oilseed types is forecast to increase by about 5%.

BUCKWHEAT

For 2001-02, Canadian production remained stable, as lower harvested area was offset by higher yields, because the crop is produced mainly in areas of Manitoba where moisture conditions were satisfactory. The quality is generally good. Total supply and use are forecast to decrease. The average price over all grades and markets is forecast to increase slightly, because of stronger demand.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mail skrypetz@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mail olesonf@em.agr.ca

CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS

DECEMBER 12, 2001

| Grain and Crop Year (a) | Harvested | | | Imports (b) | Total Supply | Exports (b) | Total | | Average Price (e) \$/t |
|----------------------------|----------------|---------------|------------|----------------|-----------------|----------------|------------------|------------------|------------------------------|
| | Area 000 ha | Yield t/ha | Production | | | | Domestic Use (d) | Ending Stocks | |
| | | | | | | | | | |
| | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1997-1998 | 848 | 2.06 | 1,747 | 12 | 1,974 | 1,116 | 523 | 335 | 180 |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 | 1,220 | 2.35 | 2,864 | 12 | 3,276 | 2,191 | 890 | 195 | 138 |
| 2001-2002 F | 1,394 | 1.58 | 2,196 | 10 | 2,401 | 1,500 | 851 | 50 | 160-190 |
| Lentils | | | | | | | | | |
| 1997-1998 | 329 | 1.15 | 379 | 4 | 523 | 349 | 109 | 65 | 324 |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 | 688 | 1.33 | 914 | 5 | 999 | 550 | 243 | 206 | 295 |
| 2001-2002 F | 691 | 0.85 | 585 | 5 | 796 | 530 | 171 | 95 | 295-325 |
| Dry Beans | | | | | | | | | |
| 1997-1998 | 90 | 1.82 | 164 | 20 | 193 | 127 | 51 | 15 | 485 |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 | 165 | 1.62 | 268 | 40 | 348 | 240 | 63 | 45 | 465 |
| 2001-2002 F | 153 | 1.70 | 260 | 20 | 325 | 255 | 65 | 5 | 645-675 |
| Chick Peas | | | | | | | | | |
| 1997-1998 | 11 | 1.36 | 15 | 3 | 18 | 3 | 14 | 1 | 400 |
| 1998-1999 | 40 | 1.33 | 53 | 2 | 56 | 14 | 37 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 | 283 | 1.37 | 388 | 5 | 408 | 190 | 193 | 25 | 410 |
| 2001-2002 F | 476 | 0.98 | 465 | 5 | 495 | 270 | 185 | 40 | 375-405 |
| Mustard Seed | | | | | | | | | |
| 1997-1998 | 292 | 0.83 | 243 | 2 | 283 | 166 | 69 | 48 | 385 |
| 1998-1999 | 279 | 0.86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 | 208 | 0.97 | 202 | 1 | 318 | 155 | 63 | 100 | 280 |
| 2001-2002 F | 132 | 0.67 | 89 | 1 | 190 | 135 | 50 | 5 | 505-535 |
| Canary Seed | | | | | | | | | |
| 1997-1998 | 113 | 1.01 | 115 | 0 | 245 | 134 | 47 | 64 | 322 |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 | 164 | 1.04 | 171 | 0 | 261 | 170 | 21 | 70 | 265 |
| 2001-2002 F | 140 | 0.66 | 92 | 0 | 162 | 140 | 17 | 5 | 625-655 |
| Sunflower Seed | | | | | | | | | |
| 1997-1998 | 51 | 1.29 | 65 | 12 | 90 | 45 | 42 | 3 | 344 |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 | 69 | 1.72 | 119 | 18 | 178 | 77 | 70 | 31 | 320 |
| 2001-2002 F | 63 | 1.56 | 98 | 15 | 144 | 75 | 64 | 5 | 325-355 |
| Buckwheat | | | | | | | | | |
| 1997-1998 | 15 | 1.13 | 17 | 1 | 20 | 9 | 10 | 1 | 305 |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 | 15 | 0.93 | 14 | 1 | 16 | 9 | 7 | 0 | 305 |
| 2001-2002 F | 12 | 1.17 | 14 | 1 | 15 | 8 | 7 | 0 | 300-330 |
| Total Special Crops (c) | | | | | | | | | |
| 1997-1998 | 1,749 | 1.57 | 2,745 | 54 | 3,346 | 1,949 | 865 | 532 | |
| 1998-1999 | 2,156 | 1.70 | 3,660 | 109 | 4,301 | 2,634 | 1,036 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 | 2,812 | 1.76 | 4,940 | 82 | 5,804 | 3,582 | 1,550 | 672 | |
| 2001-2002 F | 3,061 | 1.24 | 3,799 | 57 | 4,528 | 2,913 | 1,410 | 205 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed, sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

F: forecast, Agriculture and Agri-Food Canada, December 12, 2001

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL- FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | As of Monday December 17, 2001 | | | |
|-------------------------------------|---------------------|----------------|--------|--------|--------|------------|----------------|---------------------|----------------|----------------|--------------|--------------|---------------|--------------------------------|----------------|-----------------|-----------------|
| | | | | | | | | | | | | | | GLUTEN MEAL | GLUTEN FEED | DEHY ALFALFA | FEATHER MEAL |
| Vancouver B.C. | This week | FOB | 183.16 | N/A | 187.16 | 179.00 | | 320.00 | (7) 225.50 | 175.00 | 310.00 | (4) 880.00 | 440.00 | | | | 460.00 |
| | Week ago | | 183.16 | N/A | 187.16 | 179.00 | | | | | | | | | | | |
| Calgary Alta | This week | FOB | 162.00 | N/A | 164.00 | 169.00 | | 321.00 | (7) 224.00 | 175.00 | 320.00 | (4) 880.00 | 440.00 | | | | 480.00 |
| | Week ago | | 160.00 | N/A | 164.00 | 169.00 | | 305.50 | N/A | | 270.00 | (4) 930.00 | 475.00 | | | | 460.00 |
| Saskatoon Sask. | This week | FOB | 156.00 | 235.50 | 147.50 | 150.00 | | 300.50 | 214.00 | | 280.00 | (4) N/A | 475.00 | | | 211.67 | 490.00 |
| | Week ago | | 150.50 | 237.50 | 147.00 | 151.00 | | 303.50 | 211.00 | | 290.00 | (4) N/A | 475.00 | | | 196.67 | 490.00 |
| Melfort Sask. | This week | FOB | 163.50 | 233.68 | 153.80 | | | | | | | | | | | | |
| | Week ago | | 161.50 | 229.41 | 158.00 | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | 160.00 | 223.74 | 151.75 | 142.00 | | 284.00 | 204.00 | | 295.00 | (4) 816.00 | 420.00 | | | | 420.00 |
| | Week ago | | N/A | 222.87 | 151.23 | 142.00 | | 287.50 | 201.00 | | 300.00 | (4) 890.00 | 420.00 | | | | 420.00 |
| Thunder Bay Ont. | This week | In-store | 171.50 | 252.29 | 161.80 | | | | | | | | | | | | |
| | Week ago | | 170.50 | 248.07 | 166.00 | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | 131.55 | | | | | | | | | | | |
| | Week ago | Vessel | | | | 133.71 | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | 189.50 | 300.00 | 170.00 | | | | | | | | | | | | |
| | Week ago | | 188.50 | 292.00 | 166.00 | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | 143.99 | | | | | | | | | | | |
| | Week ago | | | | | 146.84 | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | | | | | | | |
| | Week ago | | | | | | | 288.91 | N/A | | 270.00 | (5) N/A | 440.00 | 490.00 | 143.00 | 255.00 | 355.00 |
| Hamilton Ont. | This week | N/A | | | | | FOB | 288.91 | N/A | | 276.00 | (5) N/A | 440.00 | 490.00 | 146.00 | 255.00 | 355.00 |
| | Week ago | | | | | | | 292.55 | N/A | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 148.50 | | | | | | | | | | | |
| | Week ago | | | | | 142.50 | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Trois-Riv. Que. | This week | In-store | 197.50 | | 196.80 | 154.22 | | 302.52 | 222.79 | 148.33 | 273.00 | (5) 795.00 | 298.00 | 490.00 | 145.00 | 225.00 | 390.00 |
| | Week ago | | 199.50 | | 201.00 | 158.65 | | 309.60 | 226.09 | 143.33 | 279.00 | (5) 795.00 | 292.00 | 490.00 | 148.00 | 225.00 | 390.00 |
| St-Jean, Que. St-Hyacinthe, Que. | This week | FOB | 170.50 | 178.50 | 175.00 | (2) 143.20 | | | | | | | | | | | |
| | Week ago | | 167.75 | 175.00 | 165.67 | (2) 143.30 | | | | | | | | | | | |
| Quebec Que. | This week | In-store | 199.33 | | 201.27 | 155.54 | FOB | 305.81 | | | | | | | | | |
| | Week ago | | 198.40 | | 198.33 | 156.42 | | 311.69 | | | | | | | | | |
| Truro N.S. | This week | Track | 229.62 | 226.22 | 220.72 | 186.84 | FOB | 330.58 | 258.71 | | 307.00 | | | | | | 390.00 |
| | Week ago | | 226.99 | 204.95 | 218.27 | 187.74 | | 339.07 | 266.26 | | 312.50 | | | | | | 390.00 |
| Truro N.S. | This week | Water | 215.50 | N/A | N/A | 175.80 | | | | | | | | | | | |
| | Week ago | & Truck | 217.70 | N/A | N/A | 178.15 | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | 206.50 | N/A | N/A | 166.80 | FOB | | | 301.50 | | (5) 725.00 | | | | | |
| | Week ago | | 208.70 | N/A | N/A | 169.15 | | | | 296.50 | | (5) 725.00 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

N/A = not available US \$1.00=Can \$1.5646 as of December 17, 2001

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat , No.1 Feed Oats , No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn , No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk bush. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday December 17, 2001

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-----------------------------|--------------------------|---------------|---------------|---------------|-----|---------------|---------------|
| From: Thunder Bay 2 | In-Store | WHEAT | 173.50 | 174.70 | | 166.90 | 139.90 |
| CBOT | | OATS | 252.29 | 248.07 | | 257.34 | 117.77 |
| LETHBRIDGE | | BARLEY | 163.00 | 162.30 | | 160.00 | 129.30 |
| To: Bayports, Ont. | In-store | WHEAT | 196.60 | 197.80 | 1. | 190.00 | 163.00 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 190.15 | 189.45 | 1. | 187.15 | 156.45 |
| Montreal, Que. | In-store | WHEAT | 201.35 | 202.55 | 1. | 194.75 | 167.75 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 195.27 | 194.57 | 1. | 192.27 | 161.57 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 223.82 | 225.02 | | 217.22 | 190.22 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 221.63 | 220.93 | | 218.63 | 187.93 |
| Truro, N.S. | Truck via Halifax | WHEAT | 221.32 | 222.52 | | 214.72 | 187.72 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 216.75 | 216.05 | | 213.75 | 183.05 |
| Halifax, N.S. | In-store | WHEAT | 208.65 | 209.85 | 1. | 202.05 | 175.05 |
| | | OATS | N/A | N/A | 1.0 | N/A | N/A |
| | | BARLEY | 203.07 | 202.37 | 1.0 | 200.07 | 169.37 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 268.43 | 269.63 | | 261.83 | 234.83 |
| | | OATS | 358.49 | 354.27 | | 363.54 | 223.97 |
| | | BARLEY | 270.14 | 269.44 | | 267.14 | 236.44 |
| From: Melfort, Sask. | FOB | WHEAT | 163.50 | 161.50 | | 156.90 | 135.00 |
| | | OATS | 233.68 | 229.41 | | 239.10 | 99.78 |
| | | BARLEY | 153.80 | 158.00 | | 152.00 | 125.90 |
| To: Bayports, Ont. | Track | WHEAT | 212.65 | 210.65 | | 206.05 | 191.12 |
| | | OATS | 290.57 | 286.30 | | 295.99 | 158.65 |
| | | BARLEY | 203.50 | 207.70 | | 201.70 | 179.29 |
| Montreal, Que. | Track | WHEAT | 213.41 | 211.41 | | 206.81 | 191.87 |
| | | OATS | 294.29 | 290.02 | | 299.71 | 159.55 |
| | | BARLEY | 204.32 | 208.52 | | 202.52 | 180.11 |
| Moncton, N.B. | Track | WHEAT | 241.69 | 239.69 | | 235.09 | 213.05 |
| | | OATS | 318.57 | 314.30 | | 323.99 | 182.89 |
| | | BARLEY | N/A | N/A | | N/A | 192.22 |
| Truro, N.S. | Track | WHEAT | 239.88 | 237.88 | | 233.28 | 213.22 |
| | | OATS | 319.58 | 315.31 | | 325.00 | 183.86 |
| | | BARLEY | N/A | N/A | | N/A | 205.84 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 286.94 | 284.94 | | 280.34 | 256.56 |
| | | OATS | 368.86 | 364.59 | | 374.28 | 231.24 |
| | | BARLEY | N/A | N/A | | N/A | 254.13 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|------------------------|--|---------------|---------------|-----|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 131.55 | 133.71 | | 130.77 | 126.21 |
| To: Montreal, Que. (US Corn) | In-store | | 150.45 | 152.61 | 1.0 | 149.67 | 145.11 |
| From: Chicago (Mi) | Track | | 131.55 | 136.18 | | 129.52 | 115.59 |
| To: Montreal, Que. (US Corn) | Track | | 160.58 | 165.21 | | 158.55 | 143.13 |
| From: Chatham | Track | | 143.99 | 146.84 | | 146.15 | 133.56 |
| To: Montreal, Que. | Track | | 167.37 | 170.22 | | 169.53 | 156.45 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|--------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 288.91 | 292.55 | | 329.15 | 337.30 |
| To: Montreal, Que. | Track | | 313.33 | 316.97 | | 353.57 | 359.77 |
| Moncton, N.B. | Track | | 336.54 | 340.18 | | 376.78 | 377.08 |
| Truro, N.S. | Track | | 335.37 | 339.01 | | 375.61 | 380.05 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 384.17 | 387.81 | | 424.41 | 429.31 |

1. Prices include one month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

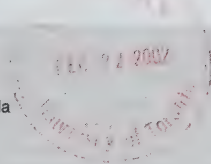
Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada



Bi-weekly Bulletin

December 21, 2001 Volume 14 Number 22

CHINA: COARSE GRAINS

Canada has a significant share of China's malting barley market and a small, but growing, share of its pork and beef markets. China's membership into the World Trade Organization (WTO) became effective in December 2001. The commitment to minimum tariff rate quotas (TRQ) and overall reductions in tariffs, is expected to provide increased market access for coarse grains and meat. In conjunction with growth in population and income, the more liberal trade environment is expected to provide support for corn prices, and coarse grain prices in general, and increased marketing opportunities for Canada over the medium to long-term. This issue of the *Bi-weekly Bulletin* will examine the situation and outlook for coarse grain in China and the implications for Canada.

DEMOGRAPHICS AND ECONOMY

China is the most populous nation in the world at 1.26 billion people increasing by 10-15 million per year. About two-thirds live in rural China and, of those, it is estimated that there are 470 million labourers and 300 million farmers. Small changes in per capita food demand and domestic supply can have major effects on world agricultural trade because of the sheer size of the population.

Since the 1970s, China has become one of the fastest growing economies in the world and during the period between 1978-1996, average annual real gross domestic product (GDP) increased almost 10% per year. China's economy is the third largest in the world. As a result of the tremendous industrial growth, the share of agriculture in the GDP dropped from 58% in 1952 to less than 25% in 2000.

Land and Water

China has one-fifth the world's population but only 10% of its arable land. Cultivated land per capita is only about 0.1 ha. All land is leased from the government based on family size and on terms which vary with the crop sown. For corn, a new round of leases were approved several years ago and are typically for 30 years. Cultivated land is expected to decline due to

construction of houses, roads, and factories. New land claimed for farming is generally of poor quality and less productive.

China is facing serious threats from soil erosion, degradation of water, salinisation, acidification, desertification, low water permeability and other interrelated properties. The gradual losses in soil quality have, over the years, been masked by the continued use of inputs.

China is one of the driest countries in the world. Water shortages in the north and the north east are very acute where the majority of the corn is grown. More than one-half of the cities experience water shortages. Beijing gets most of its drinking water from a reservoir but, due to successive droughts and soaring consumption, it is a third as full as it once was. Industry and agriculture are utilizing water at such a high rate that it is possible that the northern region may run out of water in 15 years. Industry and agriculture's dependence on the Yellow River is so great it often dries up before reaching the sea.

To address this, the government is preparing to spend over US\$20G to divert water from the Yangtze River basin to the dry northern region in one of the world's

largest water diversion schemes. This project is expected to be completed in 2010 but will only partially address the north's water shortage. The ongoing concern is not related to the immediate benefits of increasing yields through irrigation, but on the long-term effects on soil salinity created by irrigation in these arid regions.

WTO COMMITMENTS

China's entry into the WTO has dramatically cut import barriers imposed on agricultural products. The China National Cereals, Oils, and Foodstuffs Import and Export Corporation (COFCO) currently controls the corn market and allows imports through the State Development and Planning Commission (SDPC). China has reserved a percent of trade for importation through state trading enterprises, with the remaining portion allocated to private entities. As part of the WTO accession package China has set up a TRQ for commodities with increasing minimum import market opportunities. For corn for 2002, 33% of the TRQ allocations will be reserved for the private sector (non-state trading entities) initially, rising to 40% by 2004.

Canada^{ca}

Quota amounts are first recommended by the SDPC, and then approved by the State Council. Once levels have been set, the quota allocations to individual firms are administered by the Ministry of Foreign Trade and Economic Cooperation, which in turn grants licences to specific companies to import specific quantities.

China has agreed to administer its TRQ so as to maximize the likelihood that they will be used. For example, TRQ allocations will be redistributed to other non-state trading entities if they are not used by the companies that receive the original allocation. Additionally, if any portion of the TRQ allocated to state traders is not contracted by October for any given year, it will be reallocated to non-state trading entities.

China has agreed to eliminate all export subsidies, which were about US\$45/t on corn for 2000-2001, and to limit domestic support to 8.5% of the value of each product and to 8.5% of the value of total agriculture production. This is between the 5% and 10% for developed and developing countries, respectively. China will not have access to Article 6.2, under which developing countries have unlimited access to specific input and investment subsidies. Current Chinese spending on domestic support is well-below the negotiated limit. However, due to monetary constraints, it is widely thought that China will not increase domestic support beyond current levels.

For the first time since the household responsibility system was introduced in 1979, 20 million farmers in China's Zhejiang Province, in a pilot experiment, can now grow whatever they like. Additionally farmers in five provinces will

be allowed to trade grain without any government intervention. However, these provinces are not in major grain producing areas and the new regime is expected to have little impact on coarse grain production. Nevertheless a marked move towards a market-oriented grain trade is clear. It is expected that most farmers will shift production away from required crops such as corn, to more profitable crops such as fruits and vegetables because of the relatively small contract plots and the high labour/land ratio.

China has eliminated several major opaque sanitary and phytosanitary (SPS) barriers and has agreed that future SPS restrictions will be limited by the rules governing the WTO. Importers must obtain licenses from the China Inspection and Quarantine authorities for each product designated for import.

A value added tax (VAT) historically has been applied to imports as well as domestic products. The VAT rate was often unevenly applied and variable. Imports were more likely to be fully taxed than domestic products. Through the new WTO agreement, grain imported through government state traders and below the TRQ levels are not subject to the VAT. This puts private traders at a disadvantage in handling both domestic and imported grain.

AGRICULTURE

Corn

China is second only to the U.S. as the world's largest producer of corn. In 2001, due to drought-like conditions, China produced 108 Mt, down from the record high of 133 Mt produced in 1998. Chinese corn production has increased dramatically

during the past ten years, primarily due to high domestic support prices. As a result, carry-out stocks at the end of 1999-2000 (October-September) reached a recorded high of over 102 Mt. Despite large state owned stocks, grain bureaus were not able to sell much of their stocks, since they cannot take losses on domestically sold corn and much of what was in storage was high priced corn from previous years.

To address the large build up of stocks, in 1999 the government lowered the official procurement prices and allowed local grain bureaus to purchase below official prices based on failure to meet quality standards. Prices were allowed to vary depending on the amount of moisture and variety of corn. China also began to subsidize corn exports. The central government usually pays 70% of total subsidies, while local governments are required to pay the remaining 30%. In 1999-2000 and 2000-2001, China subsidized corn exports of 9.9 Mt and 7.3 Mt respectively.

Domestic consumption of corn has grown steadily since the early 1960s due to expanding livestock and poultry production. In 2001-2002, China is forecast to consume a record 124 Mt of corn, compared to 113 Mt in 1997-1998, increasing at an average rate of about 2% per year.

Because past procurement policies were based strictly on weight, farmers adopted lower quality, longer growing varieties, that were usually harvested with higher moisture levels. Production of higher quality corn is expected to increase due in part to the government's new procurement standard that rewards quality, and is expected to produce nutritionally higher value varieties but with slightly lower yields.

Arable land is thought to have been understated in China, indicating that yield estimates may have been over stated. During the last 20 years, while China has had remarkable increases in corn yields, they still lag well behind the U.S. and other major producing nations. This suggests that corn yields may easily have scope for further increases. The WTO agreement allowing for unlimited amounts of soybean imports into China and high domestic corn prices in 2001 may also result in increased area seeded to corn for 2002.

Area seeded to corn will be constrained by concerns over irrigation costs. Due to tightening water supplies in north China,

| CHINA: TARIFF RATE QUOTAS AND IMPORT DUTIES | | | | | |
|---|---------|--------------------------|----------------------|-------------------|-----------|
| | | TRQ | | DUTY | |
| | | Total | Private sector share | In Quota | Out Quota |
| | |million tonnes..... | |percent..... | |
| Corn | 2002 | 5.85 | 1.93 | 1 | 114 |
| | 2003 | 6.53 | 2.35 | 1 | 114 |
| | 2004 | 7.20 | 2.88 | 1 | 114 |
| Barley | | - | - | 3 | - |
| Beef | frozen | - | - | 12 | - |
| | chilled | - | - | 25 | - |
| | offal | - | - | 12 | - |
| Pork (all) | | - | - | 12 | - |
| Source: USDA | | | | | |

future yields will have an increasingly higher dependency on precipitation. Farmers are expected to switch to vegetables and fruit production which provide a higher net return per unit of water used. Also, due to governmental concerns over erosion, land seeded to corn on areas such as extreme slopes are expected to be taken out of production.

Under the WTO agreement, China has agreed to permit imports for a minimum amount of corn at a reduced duty. In 2002 (January-December), the minimum access for imports is set at 5.85 Mt, of which 1.93 Mt is expected to be imported directly by end users. Under the TRQ, the in-quota duty will be set at 1%, while the out-of-quota duty will be 114%. The VAT rate for corn will be 13%, but is only applied to corn imported by private traders and out-of-quota amounts.

Due to logistics, the cost of transporting corn from northeast China to South Korea and Japan is lower than the cost of transporting it into China's south. Therefore, it is expected that most of the imported corn will be destined for southern China, while some of the corn grown in northeast China will continue to be exported to South Korea and Japan. Officials in the Northeast are developing long-term marketing plans for these markets by making commitments to building better cleaning, handling and export facilities and by developing new varieties of corn that will be more competitive with U.S. corn.

Barley

The majority of barley either domestically produced or imported into China is malting barley for beer production. Chinese barley production in 2001 is estimated to be 2.5 Mt and has been trending downward since about 1988 when about 5.2 Mt were produced. Imports during this period have risen from 0.3 Mt in 1988-1999 to about 2.3 Mt expected in 2000-2001. In 2000-2001 (August-July), Canada exported about 0.6 Mt of malting barley to China, representing about 25% of Chinese malting barley imports. In 2001-2002, due to lower available supplies, Canadian exports to China are expected to be just over 0.2 Mt.

China is the world's second largest beer producer and the largest malting barley market. Per capita

beer consumption in China in comparison to Western rates is low. However, rates have risen from an average of 9 litres per year (L/yr) in 1992, to about 17.5 L/yr in 1999-2000. Consumption is expected to continue to increase over the next several years due to higher incomes and increased population. In 2007-2008, per capita beer consumption is expected to increase to about 21.5 L/yr. Forecasts based on these projections indicate that China will need to import about 3.5 Mt of malting barley in order to supply their malting industries. Canada is projected to supply China with about 0.8-1.0 Mt of malting barley during 2007-2008.

The rapid rationalization and amalgamation of the Chinese brewing and malt industry is resulting in fewer and larger processors. As a result, China is reported to be moving away from its traditional beer production methods to a more technologically advanced system which requires a consistently higher barley quality not previously demanded. Clean, high quality barley, such as that produced in Canada is well suited to meet the requirements of an increasingly quality conscious Chinese malting barley market.

The WTO agreement imposes no TRQ restricting the import of minor grains such as barley, however a duty of 3% will be applied.

Malt

Historically, China has been a very small importer of Canadian malt due to a prohibitive tariff on malt imports. China's post accession into the WTO will lower the tariff on all imported malt from 26% to 10%. However, China has recently made substantial investments in their malting

infrastructure and malt imports are expected to increase only modestly.

Beef

Cattle numbers in 2002 are expected to increase to 130 million head (Mhd) compared to 128 Mhd estimated for 2001. Since about 1985, the number of beef cows has increased from 40 Mhd to 60 Mhd to supply increasingly higher domestic demand for beef. Over the last six years, China's beef production expansion was aided by a shift in land that had been seeded but was not suitable for grain production, to livestock grazing and forage production. While dairy cows account for only 5% of total cattle, over the past several years their growth has accounted for nearly all the increase in total cattle numbers.

The Ministry of Agriculture, in an effort to expand beef exports, plans to construct five animal disease-free zones by 2002. Most of these zones are geographically isolated, so that animal diseases will be easy to isolate. This is a major effort to meet the criteria for prevention of animal diseases set by the Office International Des Epizooties (OIE) and the WTO. A prevention, quarantine and monitoring framework for animal diseases is to be developed strictly in accordance to OIE standards.

Despite the rapid increase in the number of beef cows, beef production is constrained by poor genetics, expensive forage and fodder cost. The growth of the dairy industry in China has served the dual role of supplying urban consumers with sufficient supplies of dairy products and low cost hamburger and other utility cuts. High-end table cut meats, low-end cuts and offal imports are all expected to grow strongly over the next several years. China's entry into the WTO, entailing significantly lower tariff rates for all beef, should provide a boost for imports. The tariff rate on frozen meat is expected to eventually fall from 45% to about 12%; on chilled meat from 45% to 25%; and for offal from 20% to 12%. Currently Canadian exports of beef to China consist primarily of beef offal and live animals. Exports have been growing steadily from about \$1M in 1994 to \$1.9M in 2000.

Pork

China is the world's largest pork producer. In 2002, Chinese hog production is forecast to reach an historic 575 Mhd versus 340 Mhd in

CHINA: COARSE GRAINS SUPPLY AND DISPOSITION

| <i>Oct.-Sep. crop year</i> | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002 |
|--------------------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| |million tonnes..... | | | |
| Carry-in Stocks | 88.8 | 102.6 | 102.7 | 81.5 |
| Production | 143.5 | 137.2 | 114.0 | 116.2 |
| Imports | <u>2.6</u> | <u>2.2</u> | <u>2.4</u> | <u>3.6</u> |
| Total Supply | 234.9 | 242.0 | 219.1 | 201.3 |
| Food | 38.8 | 37.7 | 36.0 | 36.2 |
| Feed | 90.1 | 91.6 | 94.4 | 98.5 |
| Exports | <u>3.4</u> | <u>10.0</u> | <u>7.2</u> | <u>3.0</u> |
| Total Use | 132.3 | 139.3 | 137.6 | 137.7 |
| Carry-out Stocks | 102.6 | 102.7 | 81.5 | 63.6 |

Source: USDA, December 2001

CANADA: EXPORTS TO CHINA

| | 1997 | 1998 | 1999 | 2000 | 2001f |
|-----------------------------|-----------------------------|-------|-------|-------|-------|
| |thousand tonnes..... | | | | |
| Barley ^{1/} | 594 | 289 | 378 | 511 | 300 |
| |CAN\$ (thousands)..... | | | | |
| Pork ^{2/} | 2,444 | 3,516 | 2,857 | 7,396 | 6,955 |
| Beef ^{2/} | 978 | 615 | 609 | 921 | 960 |

^{1/} August-July crop year

^{2/} (meat and offal) calendar year

f: forecast, December 2001

Source: Statistics Canada

1999. Pork represents about 74% of China's meat production and is by far the most consumed and favoured red meat in China. The majority of the pork produced is on small "backyard" family operations, however, commercialization and foreign-backed joint operations are playing an increasing role in China's pork production.

China is a net exporter of pork. However, exports are a small percent of production and are limited to Singapore. Restrictions imposed by countries such as Japan because of disease concerns, constrain expansion to meeting domestic demand.

Imports have risen from zero in 1994 to about 140,000 t expected in 2002. Like beef, the majority is offal. While Canadian exports of pork to China are relatively small in comparison to our major markets, exports have risen significantly during the last seven years. For example, in 2000 the value of Canadian pork exports to China was \$7.4M, compared to \$0.1M in 1994. Bans on European and Brazilian offal, due to concerns over foot and mouth disease, have aided Canadian exports to China. With import tariffs on all pork set to decline from 20% to 12% because of WTO accession, combined with relaxed restrictions that allow any domestically registered company to import pork, Canadian exports should further increase.

Poultry

Poultry meat consumption is increasing rapidly and is outpacing pork in terms of growth. Consumption for 2002 is expected to reach a record of close to 13 Mt. Chinese poultry exports in 2002 are expected to reach 0.5 Mt, while imports are expected to reach a high of 1.0 Mt. The main challenges facing China's poultry

industries are breeding and disease control. Exports in 2001 were lower than expected due to a temporary ban by Japan, the EU and South Korea stemming from disease concerns. Exports are expected to continue their upward trend because the Chinese domestic broiler industry is considered sophisticated and is expected to successfully resolve these export challenges.

OUTLOOK

China's dramatic increase in livestock and poultry production is expected to result in record coarse grain demand. Over the last two years, consumption of coarse grains has outstripped production by about 25 Mt. The WTO agreement will help to address any shortfall. Agreements in place for corn imports up to 2004 will be limited by TRQ levels established by the Working Party on China's Accession. High tariff rates applied to levels beyond these minimum amounts will make imported corn cost prohibitive. Over the medium-term, China is expected to shift from a net corn exporter to a net importer which will benefit Canada by supporting world prices.

Concerns that China may not comply with WTO commitments, have been expressed by industry. In particular, these concerns centered around China's new, yet to be defined, rules concerning genetically modified organisms which could be used as a technical barrier to imports and as a means to provide price protection. Additionally the government still hasn't made it clear how it will administer its TRQ, or how it will be allocated. However, corn consumption trends, which point to utilization outstripping production, suggest that over the mid-term China will require significant amounts of imported corn.

Canadian malting barley producers are expected to benefit directly as Chinese consumption of beer is expected to increase substantially. Clean, consistent Canadian malting barley and improvements in varieties which suit the increasingly demanding needs of Chinese processors will result in higher sales.

Since the mid-1990s, China has been a grain self-sufficient economy, with the net

import situation never exceeding 5% of domestic grain production. However, because of severe land and water constraints and the sheer size of the Chinese market, small shortfalls in coarse grain production could translate into large future import demand. Rapid economic growth and higher incomes levels are resulting in increasing meat consumption. Large, potential meat exports may be possible should China's livestock industry not be able to keep pace with demand. Lower import tariffs on grains and meat will result in a more competitive import price and increased access to Chinese markets

For more information:

**Sergio Novelli,
Market Analyst**

Phone: (204) 983-6865

E-mail: novellis@em.agr.ca

*GREETINGS
OF THE SEASON
AND BEST WISHES
FOR THE NEW YEAR!*

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Agriculture and Agri-Food Canada.
500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524**

**Director: Maggie Liu
Chief: Fred Oleson**

Editor: Gordon MacMichael

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to receive back issues:

CONTACT

Market Analysis Division, 500-303 Main Street,
Winnipeg, Manitoba, CANADA R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

VISIT

Market Analysis Division Website
www.agr.gc.ca/mad-dam/

Market Analysis Division

500-303 Main Street, Winnipeg, Manitoba, CANADA R3C 3G7

Phone (204) 983-8471 Fax: (204) 983-5524

www.agr.gc.ca/mad-dam/

The Market Analysis Division provides timely market information, analysis and forecasting of supply, demand, trade and prices for the domestic and international grains, oilseeds, and special crop sectors to industry and governments.

The Division is responsible for recommendations of initial and adjustment payments for the Canadian Wheat Board (CWB) under the CWB Act and other organizations under the Agricultural Marketing Programs Act (AMPA); recommendations of advance payments under AMPA for the CWB and other organizations; price forecasts for crop insurance programs in consultation with the provinces; calculation of Indexed Moving Average Price, price forecasts for interim payout and determination of final market prices for the Ontario Market Revenue Insurance Plan in consultation with the Ontario Ministry of Agriculture, Food and Rural Affairs; forecasts of price and marketing for grains/oilseeds and special crops for farm income, and export projections to the United States for the Quarterly Canada/U.S. Grain Trade Consultations.

| | | |
|--------------------------|---|-----------------------|
| Maggie Liu | Director email: lium@em.agr.ca | (204) 983-8468 |
| Fred Oleson | Chief, Market Analysis email: olesonf@em.agr.ca | (204) 983-0807 |
| Gordon MacMichael | Senior Market Analyst / Editor: Bi-weekly Bulletin email: macmichaelg@em.agr.ca | (204) 983-8462 |
| Glenn Lennox | Wheat Analyst email: lennoxg@em.agr.ca | (204) 983-8465 |
| Dennis Jackson | Coarse Grains Analyst email: jacksond@em.agr.ca | (204) 984-8461 |
| Chris Beckman | Oilseeds Analyst email: beckmac@em.agr.ca | (204) 984-4929 |
| Stan Skrypetz | Special Crops Analyst email: skrypetzs@em.agr.ca | (204) 983-8972 |
| Stan Spak | Market Analyst email: spaks@em.agr.ca | (204) 983-8474 |
| Deanna Gower | Market Analyst email: gowerd@em.agr.ca | (204) 983-8467 |
| Bobby Morgan | Market Analyst email: morganb@em.agr.ca | (204) 984-0680 |
| Sergio Novelli | Market Analyst email: novellis@em.agr.ca | (204) 983-6865 |
| Blair Cantaffio | Desktop Publishing Technician email: cantafiob@em.agr.ca | (204) 983-8473 |
| K. Vera Wiebe | Clerk email: wiebev@em.agr.ca | (204) 984-0976 |
| Pat Penonzek | Secretary email: penonzekp@em.agr.ca | (204) 984-8471 |



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WORLD AND CANADIAN MARKET OUTLOOK FOR GRAINS AND OILSEEDS IN 2002-2003

World non-durum wheat prices are expected to increase slightly in 2002-2003, due to declining stocks in the United States (U.S.). Durum wheat prices, however, are expected to decline, as a result of lower world import demand and rising stocks in the major exporting countries. World coarse grain prices are expected to increase slightly, largely due to higher U.S. corn prices, while Canadian prices are expected to decline due to increased domestic supplies. World oilseed prices are expected to weaken, mainly due to lower U.S. soybean prices and increased supplies of soybeans. Canadian canola and soybean prices are expected to decrease slightly from 2001-2002, while flaxseed prices are expected to increase. For most of the major crops, domestic support programs in the U.S. and the European Union (EU) are expected to continue to encourage high production which will pressure prices downward. In addition, a slight appreciation of the Canadian dollar relative to the U.S. dollar is expected.

Area seeded in Canada is expected to shift from spring wheat into durum wheat, coarse grains, canola, and certain special crops. In general, in western Canada, it has been assumed that an increased proportion of the area seeded will be harvested for grain. Total production of grains and oilseeds is expected to increase due to higher yields, particularly in western Canada which was affected by drought in 2001-2002. Total Canadian exports of grains and oilseeds are projected to rise in 2002-2003 and imports, particularly for corn, are forecast to decrease considerably.

The market outlook for 2002-2003 is very tentative at the present time since there is a high degree of uncertainty regarding global supply and demand conditions. World, and Canadian, stocks of wheat and coarse grains are low, and serious weather problems in any of the major importing or exporting countries could significantly increase prices. However, normal weather patterns have been assumed. However, in Canada, due to extremely low subsoil moisture conditions in Saskatchewan and Alberta, and low carry-in stocks, precipitation patterns will be the major factor to watch.

WHEAT

World wheat area seeded for 2002-2003 is projected by Agriculture and Agri-Food Canada (AAFC) to be only marginally higher than in 2001-2002, at an historically low 218 million hectares (Mha), due to continuing low prices for wheat. Assuming normal yields, **production** is forecast to rise by 4%, to about 600 million tonnes (Mt), which would be the highest since 1997-1998. An average yield of 2.75 tonnes per hectare (t/ha) or

40.9 bushels per acre (bu/ac) has been assumed, which is 2% above 2001-2002, largely due to a return to normal levels in Canada and the EU. Supplies should be up marginally from 2001-2002, at 745 Mt, with lower carry-in stocks offsetting the higher production.

U.S. seeded area is expected to be, overall, similar to 2001-2002, with winter wheat area relatively unchanged, durum area higher and hard red spring wheat area lower. Harvested area is forecast to rise by

7%, however, to 52 million acres, due to lower abandonment of winter wheat, assuming normal winterkill. Production is forecast by AAFC to increase by 12%, to 2.19 billion bushels, assuming a trend yield of 41.9 bu/ac. All wheat supplies are projected to be relatively unchanged, however, due to lower carry-in stocks. Currently there is uncertainty regarding the impact of dry weather in parts of the major U.S. Hard Red Winter (HRW) wheat growing regions of Texas, Oklahoma, and Kansas.

Canada

EU wheat area is forecast to rise by 5% from 2001-2002, when the area was reduced by wet weather in the fall of 2000, which prevented all intended area from being seeded. Assuming a trend yield of 5.90 t/ha, production is forecast to rise by more than 10%, to 103 Mt. Although carry-in stocks are forecast to decline by 24%, partly offsetting the impact of the larger production, EU wheat supplies are expected to increase by 7% for 2002-2003.

World wheat **consumption** is projected to continue to rise in 2002-2003, reaching a record level of close to 600 Mt. Human food use is expected to increase, because of rising world population and continued recovery in the East Asian economies, while the use of wheat for animal feed is expected to be similar to the current year, at just over 100 Mt. World **trade** is expected to rise slightly from 2001-2002, to 110 Mt, versus the 5-year average of 106 Mt.

Carry-out stocks are projected to rise marginally to about 145 Mt, well below the 5-year average of 165 Mt. The stock-to-use ratio is expected to remain at a record low of 24%. However, stocks in the major exporting countries are forecast to increase, and the low world stock level therefore provides limited support for prices. EU carry-out stocks are expected to rise by 34% to 16.8 Mt. U.S. stocks are forecast to decline only slightly, to about 17 Mt, and the U.S. stock-to-use ratio will remain relatively high at 27%.

DURUM

World

Durum **production** is forecast to rise by 7%, to about 3.4 Mt, due to increased area in Canada and the U.S., and a return to normal growing conditions in Canada and the EU. The increased production will be largely offset by lower carry-in stocks, and world **supplies** are expected to be relatively unchanged at 37 Mt. **Trade** is forecast to decline by 5%, to 6.5 Mt, assuming normal growing conditions in North Africa, the major durum importing region. **Carry-out stocks** are forecast to rise slightly to 10%, to 2.5 Mt, but remain below the 5-year average of 3.6 Mt.

PRICES: WHEAT AND DURUM

Carry-out stocks in the 5 major wheat exporting countries are forecast to increase by almost 10%, to about 45 Mt, close to the 10-year average, due to a sharp increase in EU stocks. This will pressure world wheat prices in 2002-2003. Some price recovery is expected, however, due to declining U.S. stocks.

U.S. Hard Winter Ordinary (HWO) **wheat prices**, free on board (FOB) U.S. Gulf, are forecast to rise to an average of US\$130-140 per tonne (/t) for 2002-2003 (for the Canadian August-July crop year), compared to an estimated US\$125-135/t for 2001-2002, and US\$129/t in 2000-2001. The price for U.S. Dark Northern Spring wheat with 14% protein (DNS 14), FOB Pacific Northwest, is forecast at US\$155-165/t, up by about US\$10/t from 2001-2002. Premiums for spring wheat on the Minneapolis Grain Exchange versus HRW wheat on the Kansas City Board of Trade are forecast to increase, assuming a decline in U.S. and Canadian spring wheat stocks in 2002-2003. Protein premiums are expected to rise, assuming a return to normal protein levels in the U.S. and Canadian spring wheat crops. High protein Canada Western Red Spring (CWRS) wheat is generally priced competitively with U.S. DNS 14 wheat, while lower protein CWRS and Canada Prairie Spring (CPS) wheat are usually priced competitively with U.S. HWO.

World **durum prices** are expected to decline in 2002-2003, due to larger world supplies and rising stocks. Supplies in the major exporting countries are expected to

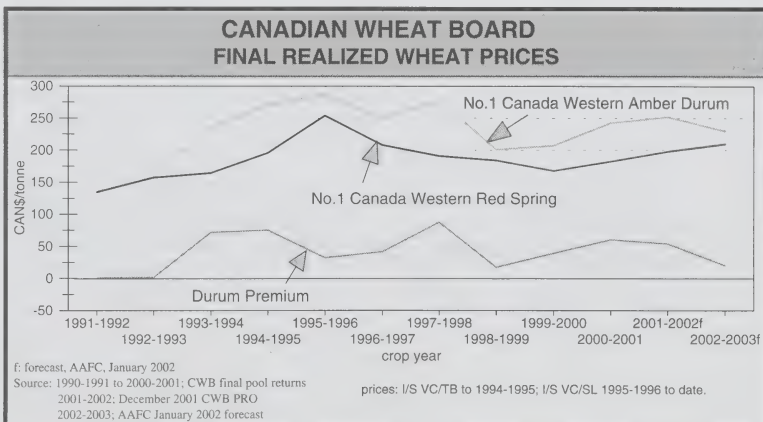
rise by 5%, to about 18 Mt, but remain below the 10-year average of 19 Mt. World import demand is expected to decline due to decreased requirements in North Africa, the EU, and the U.S. The U.S. No.3 Hard Amber Durum (HAD) price, FOB St. Lawrence, is forecast at US\$150-160/t (June-May), versus about US\$180/t in 2001-2002.

Export subsidies are not expected to be a significant factor in the world wheat market. The U.S. has not used the Export Enhancement Program since June of 1995, and continues to make use of credit and food aid programs to stimulate exports, with loan deficiency payments (LDP) used to support farm prices. With rising world prices and the lower EU intervention price, no significant EU subsidies are expected for commercial sales of wheat. However, the value of the Euro against the U.S. dollar will be critical in determining the need for export subsidies.

The average **wheat LDP** for 2001-2002 to date has been US\$0.24/bu, about CAN\$14/t, down from US\$0.44/bu (CAN\$25/t) in 2000-2001, but still pressuring both U.S. and world prices. LDP are expected to continue to be available in 2002-2003, although at lower levels, because average farm prices are forecast to increase but remain below the loan rate.

CANADA

Non-durum wheat harvested area is expected to decline by almost 15% in 2002, due to a shift into durum wheat in



southern Saskatchewan and Alberta, and a shift into oats and barley in the remainder of the Prairies. **Production** is forecast to increase by 2%, to 18.6 Mt, assuming yields return to a near-normal level of about 36 bu/ac, from the drought-reduced 30 bu/ac in 2001. **Supplies** for 2002-2003 are forecast to decline by 4% due to lower carry-in stocks. **Domestic use** is projected rise slightly. **Exports** are expected to decline by 10%, to 11.3 Mt, the second lowest since 1988-1989 and well below the 10-year average of 16 Mt. **Carry-out stocks** are projected to decline to only 4.9 Mt, the lowest since 1995-1996.

Durum seeded area is projected to increase by almost 20% due to declining stocks and large premiums over spring wheat in 2001-2002. **Production** is forecast to rise by 71%, reaching 5.2 Mt, assuming a return to near-normal yields. This will be partly offset by lower carry-in stocks, and durum **supplies** are forecast to rise by only 8%, to 6.4 Mt, near the 10-year average. **Exports** are projected to be unchanged, at 3.8 Mt, since world

import demand is expected to soften, resulting in increased competition for export markets. **Carry-out stocks** are forecast rise to 1.6 Mt, from 1.2 Mt in 2001-2002, but remain below the 10-year average of 1.8 Mt.

Ontario winter wheat seeded area is estimated by Statistics Canada to be unchanged from 2001-2002, at a below normal 0.24 Mha, with a wet fall and a late soybean harvest preventing all intended area from being seeded. Due to the wet conditions and late seeding, much of the crop entered the winter in poor condition, and above-normal winterkill is expected. As a result, production is forecast to decline by 17%, to a below-average 0.87 Mt. The Ontario Wheat Producers' Marketing Board's 2002-2003 pool returns for No.1 or 2 Canada Eastern White Winter wheat are forecast by AAFC at \$130-140/t, terminal or processor position, similar to 2001-2002.

AAFC forecasts the 2002-2003 Canadian Wheat Board (CWB) pool returns for No.1 CWRS with 11.5% protein wheat at \$210/t, in-store Vancouver or St. Lawrence

(I/S VC/SL), \$12/t higher than the 2001-2002 CWB December Pool Return Outlook (PRO). Protein premiums are expected to rise, however, and pool returns for No.1 CWRS with 13.5% protein are expected to increase by \$20/t, to \$230/t I/S VC/SL. Pool returns for No.1 Canada Western Amber Durum 11.5% protein are forecast by AAFC at \$230/t I/S VC/SL, compared to the 2001-2002 CWB PRO of \$252/t. The durum premium over spring wheat is projected at \$20/t, compared to \$54/t in 2001-2002.

For more information:

Glenn Lennox

Wheat Analyst

Phone: (204) 983-8465

E-mail: lennoxg@em.agr.ca

COARSE GRAINS

World

World **production** of coarse grains is expected to increase by 3% due mostly to an increase in corn production in the U.S. and China. Supply is expected to be

WORLD: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

| | Area (Mha) | Yield (t/ha) | Production | Total Supply | Trade million tonnes | Use | Carry-out Stocks | Stocks-to- use Ratio (%) | World Prices ^{1/} (US\$/t) |
|-------------------------------|---------------|-----------------|------------|-----------------|-------------------------|-----|---------------------|--------------------------------|---|
| WHEAT | | | | | | | | | |
| 1998-1999 | 225 | 2.62 | 589 | 760 | 102 | 584 | 176 | 30 | 117 |
| 1999-2000 | 217 | 2.71 | 586 | 762 | 112 | 592 | 170 | 29 | 111 |
| 2000-2001 | 219 | 2.66 | 582 | 752 | 103 | 589 | 163 | 28 | 129 |
| 2001-2002p | 215 | 2.69 | 577 | 740 | 107 | 596 | 144 | 24 | 125-135 |
| 2002-2003f | 218 | 2.75 | 600 | 745 | 110 | 600 | 145 | 24 | 130-140 |
| COARSE GRAINS | | | | | | | | | |
| 1998-1999 | 307 | 2.89 | 889 | 1,085 | 96 | 870 | 215 | 25 | 93 |
| 1999-2000 | 301 | 2.92 | 876 | 1,091 | 104 | 882 | 210 | 24 | 88 |
| 2000-2001 | 296 | 2.89 | 857 | 1,067 | 104 | 879 | 188 | 21 | 91 |
| 2001-2002p | 300 | 2.91 | 872 | 1,060 | 101 | 895 | 165 | 18 | 90-100 |
| 2002-2003f | 302 | 2.96 | 895 | 1,060 | 101 | 905 | 155 | 17 | 95-105 |
| OILSEEDS ^{2/} | | | | | | | | | |
| 1998-1999 | 187 | 1.59 | 297 | 326 | 56 | 294 | 32 | 10 | 177 |
| 1999-2000 | 191 | 1.60 | 306 | 338 | 65 | 304 | 34 | 10 | 174 |
| 2000-2001 | 188 | 1.65 | 310 | 347 | 74 | 314 | 33 | 10 | 171 |
| 2001-2002p | 193 | 1.68 | 324 | 358 | 73 | 325 | 33 | 9 | 150-170 |
| 2002-2003f | 195 | 1.68 | 328 | 361 | 74 | 329 | 32 | 9 | 145-165 |

Note: numbers may not add due to rounding

^{1/} Wheat: Hard Winter Ordinary, US Gulf; June-May crop year.

Coarse Grains: US Gulf No.3 Yellow Corn; September-August crop year.

Oilseeds: Chicago Cash No.1 Yellow Soybeans; September-August crop year.

^{2/} The 8 major oilseeds are soybeans, cottonseed, peanuts (whole), sunflowerseed, canola/rapeseed, copra, palm kernels and flaxseed.

p: preliminary; USDA (FAS)-December 2001 and AAFC estimates; f: AAFC January 2002 forecast.

Source: USDA, Oil World

stable at 1,060 Mt as higher production is offset by lower carry-in stocks. World **consumption** is forecast to increase slightly due to continued strong livestock feed demand and increased use of corn for ethanol production.

For **U.S. corn, area seeded** is expected to increase marginally from 2001-2002. **Production** is expected to increase by 4%, to 9.9 billion bushels, as the average yield is forecast to be slightly higher than the yield of 138 bu/ac recorded in 2001-2002. Lower carry-in stocks are expected to partially offset the increase in production, and **supplies** are expected to increase only slightly from 2001-2002. **Domestic use** is forecast to increase, as feed and industrial use is projected to expand, with considerable growth expected in ethanol production. **Exports** are forecast to remain similar to 2001-2002, as competition from Brazil and Argentina is expected to remain strong. Competition from China will be a factor to watch, as China will not subsidize exports under the World Trade Organization (WTO) and should reduce its competitiveness on the world market. **Carry-out stocks** are expected to decrease, by about 10%, with the stocks-to-use ratio declining to 14% from 16% currently.

In **China, corn production** is forecast to increase to 125 Mt, about 16% higher than the drought-reduced level of 2001-2002, primarily due to higher yields. **Total supply** is expected to decrease as higher production is more than offset by lower carry-in stocks, which are expected to be about 20 Mt below 2001-2002. **Domestic use** is forecast to increase as a result of increased livestock production, consistent with the trend of the past several years. China's corn **exports** are forecast to fall and imports are projected to increase, primarily as a result of joining the WTO. China's corn carry-out stocks have fallen sharply from about 100 Mt in 1999-2000 to 60 Mt in 2001-2002, due to an aggressive export program and drought in some areas. However, the Chinese stocks-to-use ratio remains very high, compared to U.S. levels, which suggests that China will not begin importing large amounts of corn in the near future. **Carry-out stocks** are forecast to continue to decline, falling to about 58 Mt in 2002-2003.

World **barley supplies** are expected to be 3% higher than 2001-2002, due to higher carry-in stocks and increased production. **Demand** is expected to increase but is not expected to keep up with the increase in supplies, and carry-out stocks are expected to rise.

In the **EU**, area seeded to **barley** is expected to be similar to 2001-2002 as producers shift out of spring barley into winter barley, due to improved weather for fall seeding. Yields are expected to improve as parts of the EU suffered from cool and wet conditions in 2001-2002.

Production is expected to remain similar to 2001-2002 at about 50 Mt. **Supplies** are expected to remain tight and restrict consumption, with **exports, domestic use, and carry-out stocks** forecast to remain near 2001-2002 levels. However, the tight EU supply and demand balance is expected to be partially offset by increased supplies in North America. The EU is not expected to subsidize barley exports, consistent with 2001-2002 to-date.

In **Australia**, the supply and disposition for **barley** is expected to remain similar to 2001-2002 as returns have generally been favourable, and competition in export markets is expected to remain strong.

PRICES

The average **farm price of U.S. corn** is forecast to increase to about US\$2.10/bu, compared to the current USDA forecast of US\$1.85-2.15/bu for 2001-2002. This will cause **U.S. Gulf and Pacific Northwest (PNW)** corn prices to increase by about US\$5/t and support international coarse

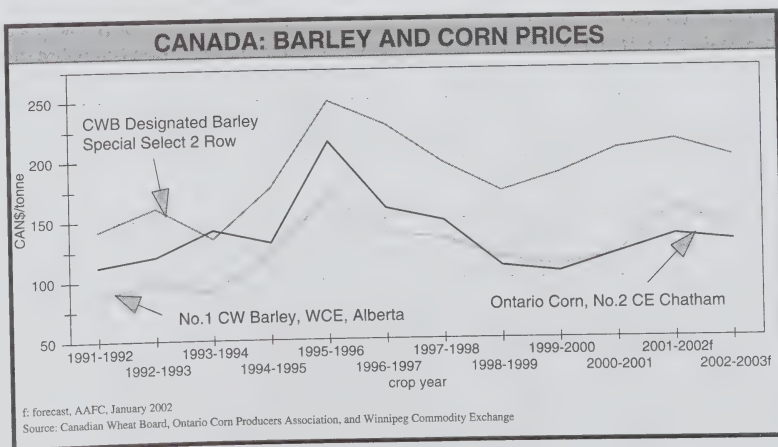
grain prices, including feed barley. The average U.S. **PNW feed barley** price is forecast to increase slightly from current levels, and average about US\$115/t in 2002-2003.

The average LDP to-date on corn for 2001-2002 has decreased to US\$0.16/bu (CAN\$9.45/t) from US\$0.29/bu (CAN\$17.90/t) for 2000-2001. For 2002-2003, LDP are expected to decrease slightly due to higher U.S. market prices.

CANADA

Production of coarse grains is forecast to increase by 24% due to higher yields and increased area seeded. Considering the relatively dry soil conditions that currently exist across much of Canada, production of coarse grains may be particularly attractive given their relatively low input costs and drought tolerance. **Supplies** are forecast to increase by 9% despite a 30% decrease in carry-in stocks. **Net exports** are forecast to increase significantly as barley exports increase and corn imports decrease due to higher production.

Barley production is forecast to increase significantly as farmers are forecast to increase seeded area by 10% due to the strong demand for feed and forage and concerns that the soil may remain dry. Average yields are expected to increase and the rate of abandonment is expected to decline. **Supply** is expected to increase by 16% to 16 Mt, despite lower carry-in stocks. **Domestic use** of feed barley is expected to increase as a result of the increased supplies, and imports of U.S.



corn are forecast to decline. **Exports** of feed barley are expected to increase and approach the levels seen in 2000-2001, but remain historically low. Exports of malting barley are expected to increase as well, as a result of the increased production and improved quality. Protein content is likely to decline and be more suitable for malting. **Carry-out stocks** are expected to increase, from 1.7 Mt to 2.3 Mt as production is projected to exceed consumption.

Off-Board feed barley prices are forecast at \$125-155/t (I/S Lethbridge), versus \$150-170/t for 2001-2002, as the increase in domestic supplies are likely to pressure prices. The CWB final pool return for 2002-2003 for **No.1 CW feed barley** is forecast by AAFC to decrease by \$25/t from the December 2001 PRO to \$155/t I/S VC/SL, while the pool return for **Special Select Two-Row designated barley** is forecast to decrease from 2001-2002, to \$185-215/t, as an increased amount of sales are expected to be made to lower priced offshore markets. The premium for two-row malting barley over six-row is expected to remain similar to 2001-2002.

For **oats**, Canadian **production** is forecast to increase sharply from 2001-2002, but supplies are expected to remain tight. **Exports** are forecast to increase as a result of the increase in production and improved quality. **Carry-out stocks** are projected to increase slightly but remain near the lows of recent times. **Oat prices** are expected to decline sharply from current levels, as North American oat supplies are expected to be sufficient to meet its needs. U.S. oat supplies are expected to increase in response to the very high prices observed for oats in 2001-2002. Production in the EU is forecast to remain similar to 2001-2002. Export subsidies are not expected to be a significant factor in the world oat market. Oat prices are likely to be priced competitively with U.S. corn and the spread between corn and oats is forecast to approach historical levels. Chicago futures prices are expected to decrease by about US\$0.50/bu to US\$1.30-1.60/bu in 2002-2003, suggesting a decline in Canadian on-farm prices of \$40-60/t.

For **corn**, Canadian **production** is forecast to be a record. Yields are

expected to return to trend levels and area seeded is forecast to increase from 2001-2002 as farmers switch into corn from soybeans. **Imports** are forecast to decrease sharply to about 1.2 Mt. Increased corn production in eastern Canada is expected to prevent large imports into that region, while imports into western Canada are also forecast to drop sharply due to increased production of coarse grains in that region. **Exports** are expected to increase. **Domestic use** is forecast to increase as industrial use is projected to continue expanding, while feed demand is expected to remain strong. The **Chatham elevator corn price** is expected to decline slightly to \$115-145/t, as stronger U.S. corn prices are forecast to be more than offset by a weaker Chatham-Chicago basis.

For more information:
Dennis Jackson
Coarse Grains Analyst
Phone: (204) 983-8461
E-mail: jacksond@em.agr.ca

OILSEEDS

World

World production of the eight major oilseeds (soybeans, cottonseed, peanuts, sunflowerseed, canola/rapeseed, copra, palm kernels, and flaxseed) is forecast to increase slightly to a record high of about 328 Mt for 2002-2003. World soybean production is forecast to increase due to a rise in seeded area in the U.S., Brazil and Argentina.

World oilseed consumption is projected to rise slightly to 329 Mt. **World carry-out stocks** are projected to be slightly lower from 2001-2002 levels. **Trade** is expected to increase to 74 Mt. For **soybeans**, world crush is expected to increase to 159 Mt, from 155 Mt in 2001-2002, due to an increase in crush volumes in the U.S. and Asia.

For **U.S. soybeans**, the **area seeded** is expected to increase due to the favourable marketing loan rate for soybeans compared to corn and wheat and the continued expansion of soybeans north and westward due to the release of short season varieties. Combined with an expected trend yield, **production** is projected to increase by about 4%, to 81.9 Mt,

(3.01 billion bushels) despite lower market prices.

For **South American soybeans**, the 2002-2003 crop will be harvested in the second quarter of 2003. For Brazil, seeded **area and production** are expected to increase slightly because of an anticipated rise in yields resulting from adequate moisture conditions and an expansion in the land base. Brazil is expected to continue to aggressively export soybeans and maintain low carry-out stocks. Similarly, for Argentina the area seeded to soybeans is expected to increase, resulting in increased **production**, despite continued low prices.

World canola/rapeseed production is expected to increase by about 5% due to a rise in seeded area and a return to normal yields in Canada and the EU. Chinese canola production is expected to be steady at about 11.9 Mt, due to lower domestic prices, promoted in part by China's entry into the WTO.

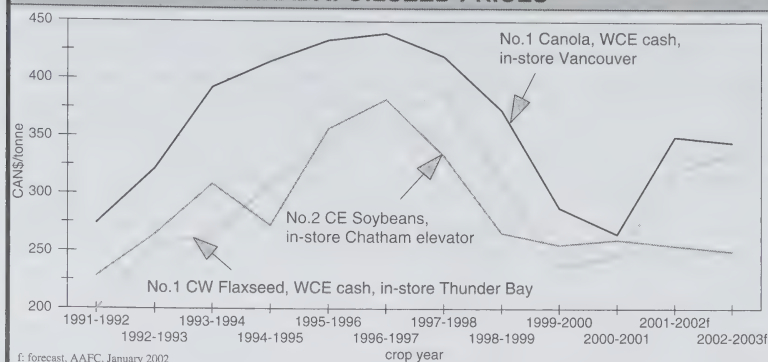
World flaxseed production is expected to remain stable. Production of flaxseed is expected to increase in Canada due to the favourable price relative to other oilseeds and the low cost of inputs. Production in the EU is expected to decline due to the reduction in domestic subsidies.

PROTEIN MEAL AND EDIBLE OIL

For **soymeal**, world **production** is projected to rise by 3 Mt to about 126 Mt, primarily due to the increased supplies of soybeans within the U.S., Brazil, and Argentina. **Demand** is expected to increase due to the EU ban on animal meal use in livestock rations, increased world pork and poultry production, and an increase in per-capita disposable incomes. **Prices** of protein meals are expected to strengthen. As a result, crush margins and volumes are projected to increase.

For **edible oils**, world **production** is expected to increase, led by higher palm oil production and crushing of soybeans and canola/rapeseed, which is expected to offset a decline in sunflower and cottonseed crush. **Demand** for edible oil in China and other Asian countries is expected to remain strong, although this will increase trade in oilseeds rather than edible oils and protein meals.

CANADA: OILSEED PRICES



Consumption of vegetable oil is forecast to increase and world trade is expected to increase slightly. **Supplies of palm oil** are expected to increase and continue to be burdensome as palm trees continue to mature and begin production. Increased trade and consumption of palm oil are expected to displace exports and usage of soyoil over the longer term.

PRICES

Increased carry-out stocks of **U.S. soybeans** are forecast to pressure oilseed prices, from an expected average of US\$4.40/bu for U.S. soybeans in 2001-2002 to US\$4.20/bu in 2002-2003. The average U.S. **soymeal** price is forecast to rise by about US\$10-20 per short ton (/st) to US\$160-190/st. World vegetable oil prices are expected to remain historically weak, pressuring the average U.S. **soyoil** prices down to US\$0.13-0.17 per pound (/lb) compared to US\$0.14-0.17/lb expected for 2001-2002. The average LDP to-date on soybeans has increased to US\$1.24/bu (CAN\$71/t) from US\$0.93/bu (CAN\$53/t) for 2000-2001. For 2002-2003, LDP are expected to increase due to lower U.S. market prices for soybeans.

CANADA

For **canola**, harvested area is expected to increase by about 10% to 4.3 Mha due to low carry-in stocks and higher prices in 2001-2002 than 2000-2001. Yields are expected to increase significantly, but

remain slightly below average due to the persistent dryness in western Canada. Production is projected to increase by 19% to 5.8 Mt. Supply is projected to increase at a slower pace due to very low carry-in stocks. Domestic processing is expected to remain stable, at lower than normal levels, due to poor crush margins. Export volumes are expected to increase due to the projected rise in supplies combined with stable Japanese demand. Carry-out stocks are expected to remain at very low levels. Canadian canola prices are forecast to decline by \$5/t, to \$330-360/t I/S Vancouver, due to burdensome world supplies of vegetable oils and protein meals.

For **flaxseed**, harvested area is forecast to increase by 10%, due to a slight increase in seeded area and a drop in crop abandonment. Yields are expected to rise to more normal levels, resulting in a 19% increase in production. Supply is expected to increase marginally, due to lower carry-in stocks. Exports are expected to increase to 0.75 Mt, from 0.70 Mt, due to the rebound in EU demand. Carry-out stocks are forecast to decrease to the lowest level since 1997-98. Prices are expected to increase by \$5/t, to \$320-350/t I/S Thunder Bay.

For **soybeans**, area seeded is forecast to decrease 7% because of chronic plant disease and insect infestations, projected lower prices and an increase in the area seeded to corn. However, production is expected to rise by 25% as a return to

normal yields more than offsets the drop in seeded area. Supply, however, is only expected to increase by 8% due to lower imports and carry-in stocks. Domestic processing of soybeans is forecast to remain stable because of ample supplies of raw beans, profitable crush margins, and continued strong protein meal prices. Exports are also projected to remain high as traders use Identity Preserved marketing techniques to market food-grade Canadian soybeans to niche markets. Carry-out stocks are expected to remain low. Soybean prices are expected to decline marginally to \$235-265/t, I/S Chatham, largely due to lower U.S. prices.

For more information:

Chris Beckman

Oilseeds Analyst

Phone: (204) 984-4929

E-mail: beckmac@em.agr.ca

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500-303 Main Street
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Telephone: (204) 983-8473
Fax: (204) 983-5524**

**Director: Maggie Liu
Chief: Fred Oleson**

Editor: Gordon MacMichael

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CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

JANUARY 8, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 2000-2001 | 2,614 | 2.16 | 5,647 | 10 | 7,432 | 3,487 | 270 | 589 | 1,073 | 2,873 | 243 |
| 2001-2002 f | 2,100 | 1.45 | 3,055 | 10 | 5,938 | 3,800 | 275 | 403 | 938 | 1,200 | 252 * |
| 2002-2003 f | 2,620 | 1.99 | 5,220 | 10 | 6,430 | 3,800 | 275 | 505 | 1,030 | 1,600 | 230 f |
| Wheat Except Durum | | | | | | | | | | | |
| 2000-2001 | 8,349 | 2.53 | 21,157 | 50 | 27,171 | 13,269 | 2,808 | 3,861 | 7,567 | 6,335 | 182 |
| 2001-2002 f | 8,958 | 2.03 | 18,228 | 50 | 24,613 | 12,500 | 2,803 | 3,550 | 7,113 | 5,000 | 198 * |
| 2002-2003 f | 7,750 | 2.40 | 18,600 | 10 | 23,610 | 11,300 | 2,815 | 3,785 | 7,410 | 4,900 | 210 f |
| All Wheat | | | | | | | | | | | |
| 2000-2001 | 10,963 | 2.44 | 26,804 | 60 | 34,604 | 16,756 | 3,077 | 4,451 | 8,640 | 9,208 | |
| 2001-2002 f | 11,059 | 1.92 | 21,282 | 60 | 30,550 | 16,300 | 3,078 | 3,953 | 8,050 | 6,200 | |
| 2002-2003 f | 10,370 | 2.30 | 23,820 | 20 | 30,040 | 15,100 | 3,090 | 4,290 | 8,440 | 6,500 | |
| Barley | | | | | | | | | | | |
| 2000-2001 | 4,551 | 2.96 | 13,468 | 40 | 16,346 | 2,639 | 360 | 10,456 | 11,253 | 2,454 | 129 |
| 2001-2002 f | 4,354 | 2.61 | 11,355 | 100 | 13,909 | 1,700 | 385 | 9,669 | 10,509 | 1,700 | 150-170 |
| 2002-2003 f | 4,995 | 2.94 | 14,710 | 40 | 16,450 | 2,750 | 385 | 10,585 | 11,400 | 2,300 | 125-155 |
| Corn | | | | | | | | | | | |
| 2000-2001 | 1,088 | 6.27 | 6,827 | 2,872 | 11,251 | 100 | 2,145 | 8,092 | 10,271 | 880 | 120 |
| 2001-2002 f | 1,233 | 6.60 | 8,171 | 2,500 | 11,551 | 200 | 2,225 | 8,344 | 10,601 | 750 | 125-145 |
| 2002-2003 f | 1,300 | 7.47 | 9,710 | 1,150 | 11,610 | 300 | 2,350 | 8,078 | 10,460 | 850 | 115-145 |
| Oats | | | | | | | | | | | |
| 2000-2001 | 1,299 | 2.61 | 3,389 | 8 | 4,519 | 1,807 | 115 | 1,582 | 1,872 | 840 | 114 |
| 2001-2002 f | 1,282 | 2.16 | 2,769 | 35 | 3,644 | 1,475 | 150 | 1,431 | 1,769 | 400 | 185-205 |
| 2002-2003 f | 1,660 | 2.45 | 4,070 | 4 | 4,474 | 1,800 | 150 | 1,656 | 1,974 | 700 | 135-165 |
| Rye | | | | | | | | | | | |
| 2000-2001 | 115 | 2.27 | 260 | 5 | 426 | 90 | 66 | 166 | 248 | 88 | |
| 2001-2002 f | 102 | 1.90 | 194 | 5 | 287 | 75 | 66 | 75 | 162 | 50 | |
| 2002-2003 f | 105 | 2.14 | 225 | 5 | 280 | 85 | 66 | 58 | 145 | 50 | |
| Mixed Grains | | | | | | | | | | | |
| 2000-2001 | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002 f | 133 | 2.79 | 371 | 0 | 371 | 0 | 0 | 371 | 371 | 0 | |
| 2002-2003 f | 150 | 2.87 | 430 | 0 | 430 | 0 | 0 | 430 | 430 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 2000-2001 | 7,181 | 3.39 | 24,327 | 2,925 | 32,924 | 4,636 | 2,686 | 20,677 | 24,026 | 4,262 | |
| 2001-2002 f | 7,105 | 3.22 | 22,859 | 2,640 | 29,761 | 3,450 | 2,826 | 19,889 | 23,411 | 2,900 | |
| 2002-2003 f | 8,210 | 3.55 | 29,145 | 1,199 | 33,244 | 4,935 | 2,951 | 20,807 | 24,409 | 3,900 | |
| Canola | | | | | | | | | | | |
| 2000-2001 | 4,816 | 1.48 | 7,126 | 224 | 9,506 | 4,863 | 3,013 | 544 | 3,589 | 1,054 | 291 |
| 2001-2002 f | 3,886 | 1.30 | 5,062 | 250 | 6,366 | 3,000 | 2,550 | 371 | 2,966 | 400 | 335-365 |
| 2002-2003 f | 4,299 | 1.35 | 5,801 | 250 | 6,451 | 3,100 | 2,500 | 406 | 2,951 | 400 | 330-360 |
| Flaxseed | | | | | | | | | | | |
| 2000-2001 | 591 | 1.17 | 693 | 11 | 1,090 | 614 | n/a | n/a | 203 | 273 | 261 |
| 2001-2002 f | 652 | 1.08 | 702 | 10 | 985 | 700 | n/a | n/a | 135 | 150 | 305-335 |
| 2002-2003 f | 673 | 1.24 | 836 | 10 | 996 | 750 | n/a | n/a | 121 | 125 | 320-350 |
| Soybeans | | | | | | | | | | | |
| 2000-2001 | 1,061 | 2.55 | 2,703 | 431 | 3,386 | 746 | 1,697 | 694 | 2,460 | 180 | 256 |
| 2001-2002 f | 1,031 | 1.53 | 1,582 | 1,000 | 2,762 | 550 | 1,700 | 342 | 2,112 | 100 | 240-270 |
| 2002-2003 f | 970 | 2.68 | 2,600 | 450 | 3,150 | 850 | 1,700 | 380 | 2,150 | 150 | 235-265 |
| Total Oilseeds | | | | | | | | | | | |
| 2000-2001 | 6,468 | 1.63 | 10,522 | 666 | 13,982 | 6,223 | 4,710 | 1,238 | 6,252 | 1,507 | |
| 2001-2002 f | 5,568 | 1.32 | 7,346 | 1,260 | 10,113 | 4,250 | 4,250 | 713 | 5,213 | 650 | |
| 2002-2003 f | 5,942 | 1.55 | 9,237 | 710 | 10,597 | 4,700 | 4,200 | 786 | 5,222 | 675 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 2000-2001 | 24,612 | 2.51 | 61,653 | 3,651 | 81,510 | 27,615 | 10,473 | 26,366 | 38,918 | 14,977 | |
| 2001-2002 f | 23,731 | 2.17 | 51,488 | 3,960 | 70,425 | 24,000 | 10,154 | 24,555 | 36,675 | 9,750 | |
| 2002-2003 f | 24,522 | 2.54 | 62,202 | 1,929 | 73,881 | 24,735 | 10,241 | 25,883 | 38,071 | 11,075 | |

(a) Aug.-July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver);

Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (No. 2, CBOT nearby Cdn \$/t); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB PRO: December 2001. Prices for No.1 CWRS and No.1 CWAD with 11.5% protein for 2000-01 and 2001-02. This is comparable to prices for 1999-00 and previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, January 8, 2002

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: GRAINS AND OILSEEDS OUTLOOK

JANUARY 8, 2002

Production of grains and oilseeds for 2001-02 in Canada is estimated by Statistics Canada at 51.5 million tonnes (Mt) compared to 61.7 Mt in 2000-01 and the 10-year average of 59.8 Mt. In Western Canada, production decreased by over 20% from 2000-01, largely due to drought in Alberta and Saskatchewan. The proportion of the western wheat and durum crops falling into the top two grades is about 90% and 80% respectively vs. normal levels of 65% to 70% for both crops. Protein levels are high, with Canadian Grain Commission data indicating an average protein content for No.1 CWRS wheat of 14.4%, versus the 10-year average of 13.3%. This is due to the hot dry growing season and dry weather at harvest. In Eastern Canada, production increased by 2% from the extremely low level of 2000-01, with increased corn production more than offsetting a decline in the production of soybeans and winter wheat. In much of Eastern Canada, dry conditions resulted in below normal yields for corn and soybeans. Autumn rains delayed the harvest and prevented the seeding of a portion of the 2002-03 winter wheat crop.

Total Canadian exports of grains and oilseeds are forecast by AAFC to fall by 13% in 2001-02, to 24 Mt, with only durum wheat, corn and flaxseed exports expected to increase. Average prices for all Canadian grains and oilseeds, except soybeans, are expected to be higher than in 2000-01.

WHEAT (ex-durum)

For 2001-2002, production decreased by 17%, to 18.2 Mt, the lowest since 1988-89, largely due to the drought in Saskatchewan and Alberta. Although higher carry-in stocks partly offset the lower production, supplies are down by almost 10% from last year. Exports will be limited by the reduced supplies, and are forecast to fall by 6%, to 12.5 Mt, vs. the 10-year average of 15.6 Mt. Feed use is expected to decline due to tight supplies and good quality. Carry-out stocks are forecast to decline by more than 20%, to 5.0 Mt, the lowest since 1995-96. The Canadian Wheat Board (CWB) Dec. 2001-02 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$198/t, in-store Vancouver/St. Lawrence, well above the 2000-01 final realized price of \$182.41/t. Ontario winter wheat production is down by 23%, at 1.1 Mt, but quality is good. The Ontario Wheat Producers' Marketing Board's 2001-02 pool return for No.1 CEWW wheat is projected by AAFC at \$135-140/t, vs. last year's final realized price of \$110/t.

DURUM

Production decreased by 46% in 2001-2002, to 3.06 Mt, the lowest level since 1988-89, due to lower seeded area and drought. This is partly offset by record high carry-in stocks, but supplies are down by 20% from 2000-01 at 5.9 Mt, vs. the 10-year average of 6.2 Mt. Exports are forecast to rise by 9%, to 3.8 Mt. As a result of lower production in the EU and US, Canada is expected to increase its share of the world durum market. Carry-out stocks are projected to decrease to 1.2 Mt. The CWB Dec. 2001-02 PRO for No.1 CWAD 11.5% protein is \$252/t, I/S VC/SL, vs. the 2000-01 final realized price of \$242.61/t. The premium over No.1 CWRS 11.5% is \$54/t, vs. about \$61/t in 2000-01 and the 10-year average of \$43/t.

BARLEY

Production decreased by 16%, due to lower yields, lower seeded area, and increased abandonment. Supplies are at the lowest level since 1992-93. Exports of both feed and malting barley are expected to decline from last year. Feed use is expected to fall by 8%. Carry-out stocks are forecast to decline sharply, to the lowest level of recent times. The CWB Dec. PRO for No.1 CW Feed Barley is \$180/t, compared with the 2000-01 final realized price of \$142.86/t. Prices for malting barley are forecast to increase from 2000-01, as lower supplies are expected to result in an increased portion of sales to high priced markets. The CWB Nov. PRO for Special Select 2-Row Designated Barley is \$214/t, vs the 2000-01 final realized price of \$201.01/t.

OATS

Production and supply fell by about 20% despite higher seeded area. Light-weight oats have been reported in Manitoba, further limiting supplies of high quality oats for domestic milling and the export market. Carry-out stocks are forecast to fall to the lowest level in recent times. Oat prices are forecast to increase significantly due to lower carry-out stocks.

CORN

Production increased by 20% due to higher seeded area and improved yields, despite dry growing conditions. Imports of US corn into Western Canada are forecast to increase sharply due to reduced barley supplies, while imports into Eastern Canada are forecast to decline. Domestic use is expected to increase as a result of higher corn feeding in Western Canada. Ontario corn prices are expected to increase due to higher US prices, with Ontario corn expected to continue to be priced on an import competitive basis.

CANOLA

Production decreased by 29% to 5.1 Mt but supply decreased even more dramatically, to the lowest level since 1992-93, due to reduced carry-in stocks. Exports are forecast to fall by about 40%, to 3.0 Mt, mainly due to lower shipments to China. Domestic crush is also expected to drop sharply, to 2.6 Mt, due to tight supplies. Carry-out stocks are projected to decline to the very low level of 0.4 Mt. Canola prices are forecast to increase by about 20%.

FLAXSEED (excluding solin)

Production increased marginally but, due to lower carry-in stocks, supply has decreased by about 10%. Exports are forecast to rise due to increased import demand from the EU. Carry-out stocks are expected to decline and prices are forecast to increase by about 25%.

SOYBEANS

Production decreased significantly due to lower yields as the result of dry growing conditions, insect infestations and wet weather during harvest. Domestic supply is about 40% below 2000-01. However, domestic crush is expected to remain similar to 2000-01 leading to a major increase in soybean imports from the US and a significant decrease in Canadian exports. Carry-out stocks are expected to fall sharply. Chatham prices are forecast to be similar to 2000-01, as support from tight domestic supplies and the weak Canadian dollar offsets pressure from lower US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-maillennoxg@em.agr.ca
Coarse Grains.....Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman.....984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca
www.agr.gc.ca/mad-dam/



CANADA: SPECIAL CROPS OUTLOOK

JANUARY 8, 2002

For 2001-2002, total production of special crops in Canada decreased by 23% to 3.8 million tonnes (Mt), largely because of drought in most of Saskatchewan and Alberta and insufficient moisture in Ontario. Despite lower exports and domestic use, carry-out stocks are expected to fall sharply. Average prices, compared to 2000-01, are, in general, forecast to increase.

For 2002-2003, total area seeded to special crops in Canada is forecast to increase by 8% because net returns for most special crops are expected to be better than for competing crops. It is assumed that precipitation will be normal for the rest of the winter, and spring and summer. However, for Alberta and Saskatchewan, due to the current dry conditions, yields are forecast to be below trend but significantly higher than in 2001-02. For Manitoba and Eastern Canada, trend yields are assumed. In general, it has been assumed that an increased portion of the area seeded will be harvested. Total Canadian production is forecast to increase by about 40% to 5.36 Mt. Exports, domestic use and carry-out stocks are forecast to increase in line with the higher supplies. In general, average prices, compared to 2001-02, are forecast to decrease but, due to extremely low carry-in stocks for most special crops, prices are expected to be very sensitive to any production problems. The main factor to watch will be precipitation during the rest of the winter and, especially, during the spring in the Prairie provinces. If the dry conditions persist in Saskatchewan and Alberta, the seeded area for small seed crops, mustard seed and canary seed, could be lower than forecast, while the area for large seed crops, dry peas, lentils and chick peas could be higher.

DRY PEAS

For 2001-2002, due to lower production and total supply, Canadian exports and domestic use are forecast to decrease. The average price is forecast to increase by about 25% as carry-out stocks decrease to a very low level.

For 2002-2003, the area seeded is forecast to increase by about 5%. Production and total supply are forecast to increase significantly. Total world supply is expected to increase by 9% to 11.4 Mt because of higher production in Canada and the EU, but this is expected to be mostly offset by increased use. Despite increased exports, carry-out stocks in Canada are forecast to increase. The average price, over all types, grades and markets, is forecast to decrease by about 15%.

LENTILS

For 2001-2002, due to higher production in the Middle East, Canadian exports are forecast to decrease. Carry-out stocks are forecast to fall and the average price is forecast to increase by about 5%.

For 2002-2003, the seeded area is forecast to fall by 10%. Production is forecast to increase significantly, but total supply is expected to increase by only 9% because of lower carry-in stocks. Total world supply is forecast to increase slightly, due to higher Canadian production. Canadian exports are expected to increase, as Canada's share of world supply increases. Carry-out stocks are forecast to increase slightly. The average price, over all types and grades, is forecast to decrease slightly.

DRY BEANS

For 2001-2002, production and total supply decreased in Canada and the US. Canadian exports are forecast to increase because of lower world supply of the classes of dry beans produced in Canada. Carry-out stocks are expected to decrease to a very low level and the average price is forecast to rise by about 40%.

For 2002-2003, area seeded is forecast to increase by 25% and production is forecast

to increase by a third. Total supply is expected to increase by only 14% due to lower carry-in stocks. Production and total supply are also forecast to increase in the US. Canadian exports are forecast to increase due to the higher supply and expected strong demand. Carry-out stocks are expected to remain low, although slightly higher than in 2001-02. The average price, over all classes and grades, is forecast to decrease by about 10%.

CHICK PEAS

For 2001-2002, production and total supply increased. Canadian exports are forecast to increase because of higher Canadian supply and strong world demand. Carry-out stocks are forecast to increase. The average price is forecast to decrease by about 5%.

For 2002-2003, the area seeded is forecast to remain stable, with some shift in production to the desi type as the price of the kabuli type has decreased significantly. Production and total supply is forecast to increase due to higher expected yields. Total world supply is expected to increase slightly to 7.7 Mt. Canadian exports are forecast to increase due to an increase in Canada's share of world supply. Carry-out stocks are expected to increase. The average price, over all types, grades and sizes, is forecast to decrease slightly.

MUSTARD SEED

For 2001-2002, due to lower production and total supply, exports are forecast to decrease. Carry-out stocks are expected to decrease to a very low level and the average price is forecast to increase by about 85%. For 2002-2003, area seeded and production are forecast to increase significantly with the largest increase for the yellow and brown types. However, total supply is forecast to increase by only 19% due to sharply lower carry-in stocks. Although exports are expected to rise, carry-out stocks are also forecast to increase. The average price, over all types and grades, is expected to decrease by about 20%.

CANARY SEED

For 2001-2002, due to lower production and total supply, Canadian exports are forecast to decrease. Carry-out stocks are expected to decrease to a very low level. The average price is forecast to rise by about 140%.

For 2002-2003, area seeded and production are forecast to increase sharply. However, total supply is forecast to increase by only 33% due to lower carry-in stocks. Total world supply is forecast to increase by 30% to 281,000 t. Canadian exports are expected to increase in line with the higher supply. Carry-out stocks are forecast to increase and the average price is forecast to decrease by about 40%.

SUNFLOWER SEED

For 2001-2002, due to lower production and total supply, Canadian exports and domestic use are expected to decrease. Carry-out stocks are forecast to decrease to a very low level and the average price is forecast to increase by about 5%.

For 2002-2003, area seeded and production are forecast to increase significantly. However, total supply is forecast to decrease slightly, due to lower carry-in stocks. Total world supply is expected to increase slightly due to higher production of the oilseed type. Canadian exports are expected to decrease, while domestic use remains stable. Carry-out stocks are forecast to remain very low. The average price, over both types, is forecast to increase slightly because of stronger expected prices for the confectionary type.

BUCKWHEAT

For 2001-2002, total supply decreased due to lower carry-in stocks. The average price over all grades and markets is forecast to increase slightly due to stronger demand. For 2002-2003, production is forecast to rise due to higher seeded area. The average price is forecast to be similar to 2001-02.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972

E-mailskrypetz@em.agr.ca

Fred Oleson, Chief(204) 983-0807

E-mailolesonf@em.agr.ca

www.agr.gc.ca/mad-dam/

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CANADA: SUPPLY AND DISPOSITION FOR SPECIAL CROPS

JANUARY 8, 2002

| Grain and Crop Year (a) | Harvested | IMPORTS AND DISPOSITION FOR SPECIAL CROPS | | | | | | | JANUARY 8, 2002 |
|------------------------------------|-----------|---|------------|---------|--------|---------|------------------|--------|-----------------|
| | Area | Yield | Production | Imports | Total | Exports | Total | Ending | Average |
| | 000 ha | t/ha | | (b) | Supply | (b) | Domestic Use (d) | Stocks | Price (e) |
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 | 1,220 | 2.35 | 2,864 | 12 | 3,276 | 2,191 | 890 | 195 | 138 |
| 2001-2002 f | 1,394 | 1.58 | 2,196 | 10 | 2,401 | 1,500 | 851 | 50 | 165-185 |
| 2002-2003 f | 1,500 | 2.05 | 3,080 | 10 | 3,140 | 2,000 | 940 | 200 | 135-165 |
| Lentils | | | | | | | | | |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 | 688 | 1.33 | 914 | 5 | 999 | 550 | 243 | 206 | 295 |
| 2001-2002 f | 691 | 0.85 | 585 | 5 | 796 | 530 | 171 | 95 | 300-320 |
| 2002-2003 f | 650 | 1.18 | 770 | 5 | 870 | 550 | 210 | 110 | 285-315 |
| Dry Beans | | | | | | | | | |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 | 165 | 1.62 | 268 | 40 | 348 | 240 | 63 | 45 | 465 |
| 2001-2002 f | 153 | 1.67 | 255 | 20 | 320 | 250 | 65 | 5 | 650-670 |
| 2002-2003 f | 200 | 1.73 | 345 | 20 | 370 | 280 | 75 | 15 | 595-625 |
| Chick Peas | | | | | | | | | |
| 1998-1999 | 40 | 1.33 | 53 | 2 | 56 | 14 | 37 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 | 283 | 1.37 | 388 | 5 | 408 | 190 | 193 | 25 | 410 |
| 2001-2002 f | 476 | 0.98 | 465 | 5 | 495 | 270 | 185 | 40 | 380-400 |
| 2002-2003 f | 480 | 1.23 | 590 | 5 | 635 | 350 | 220 | 65 | 360-390 |
| Mustard Seed | | | | | | | | | |
| 1998-1999 | 279 | 0.86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 | 208 | 0.97 | 202 | 1 | 318 | 155 | 63 | 100 | 280 |
| 2001-2002 f | 132 | 0.67 | 89 | 1 | 190 | 135 | 50 | 5 | 510-530 |
| 2002-2003 f | 245 | 0.92 | 225 | 1 | 231 | 150 | 66 | 15 | 395-425 |
| Canary Seed | | | | | | | | | |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 | 164 | 1.04 | 171 | 0 | 261 | 170 | 21 | 70 | 265 |
| 2001-2002 f | 140 | 0.66 | 92 | 0 | 162 | 140 | 17 | 5 | 630-650 |
| 2002-2003 f | 215 | 0.98 | 210 | 0 | 215 | 165 | 30 | 20 | 380-410 |
| Sunflower Seed | | | | | | | | | |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 | 69 | 1.72 | 119 | 18 | 178 | 77 | 70 | 31 | 320 |
| 2001-2002 f | 63 | 1.56 | 98 | 15 | 144 | 75 | 64 | 5 | 330-350 |
| 2002-2003 f | 75 | 1.60 | 120 | 15 | 140 | 70 | 65 | 5 | 330-360 |
| Buckwheat | | | | | | | | | |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 | 15 | 0.93 | 14 | 1 | 16 | 9 | 7 | 0 | 305 |
| 2001-2002 f | 12 | 1.17 | 14 | 1 | 15 | 8 | 7 | 0 | 305-325 |
| 2002-2003 f | 13 | 1.15 | 15 | 1 | 16 | 9 | 7 | 0 | 300-330 |
| Total Special Crops (c) | | | | | | | | | |
| 1998-1999 | 2,156 | 1.70 | 3,660 | 109 | 4,301 | 2,634 | 1,036 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 | 2,812 | 1.76 | 4,940 | 82 | 5,804 | 3,582 | 1,550 | 672 | |
| 2001-2002 f | 3,061 | 1.24 | 3,794 | 57 | 4,523 | 2,908 | 1,410 | 205 | |
| 2002-2003 f | 3,378 | 1.59 | 5,355 | 57 | 5,617 | 3,574 | 1,613 | 430 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes dry peas, lentils, dry beans, chick peas, mustard seed, canary seed, sunflower seed and buckwheat.

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, January 8, 2002.

Source: Statistics Canada and industry consultations.

| B. CASH PRICES AND REPLACEMENT VALUES | | | As of Monday December 31, 2001 | | | | | |
|---------------------------------------|--|--------------------------|--------------------------------|-----------|----------|-----------|----------|--------|
| PRAIRIE GRAINS | | | | | | | | |
| SELECTED POINT | | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO | |
| From: Thunder Bay 2 | | In-Store | WHEAT | 169.70 | 169.50 | | 164.50 | 140.40 |
| CBOT | | | OATS | 247.61 | 243.45 | | 247.40 | 117.77 |
| LETHBRIDGE | | | BARLEY | 162.20 | 162.20 | | 161.80 | 128.50 |
| To: Bayports, Ont. | | In-store | WHEAT | 192.80 | 192.60 | 1. | 187.60 | 163.50 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 189.35 | 189.35 | 1. | 188.95 | 155.65 |
| Montreal, Que. | | In-store | WHEAT | 197.55 | 197.35 | 1. | 192.35 | 168.25 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 194.47 | 194.47 | 1. | 194.07 | 160.77 |
| Moncton, N.B | | Truck via Halifax | WHEAT | 220.02 | 219.82 | | 214.82 | 190.72 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 220.83 | 220.83 | | 220.43 | 187.13 |
| Truro, N.S. | | Truck via Halifax | WHEAT | 217.52 | 217.32 | | 212.32 | 188.22 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 215.95 | 215.95 | | 215.55 | 182.25 |
| Halifax, N.S. | | In-store | WHEAT | 204.85 | 204.65 | 1. | 199.65 | 175.55 |
| | | | OATS | N/A | N/A | 1.0 | N/A | N/A |
| | | | BARLEY | 202.27 | 202.27 | 1.0 | 201.87 | 168.57 |
| Stephenville, Nfld. | | Track / Truck via Sydney | WHEAT | 264.63 | 264.43 | | 259.43 | 235.33 |
| | | | OATS | 353.81 | 349.65 | | 353.60 | 223.97 |
| | | | BARLEY | 269.34 | 269.34 | | 268.94 | 235.64 |
| From: Melfort, Sask. | | FOB | WHEAT | 159.70 | 159.50 | | 155.50 | 133.40 |
| | | | OATS | 228.82 | 224.71 | | 229.25 | 99.78 |
| | | | BARLEY | 148.60 | 149.20 | | 151.70 | 124.50 |
| To: Bayports, Ont. | | Track | WHEAT | 208.85 | 208.65 | | 204.65 | 189.52 |
| | | | OATS | 285.71 | 281.60 | | 286.14 | 158.65 |
| | | | BARLEY | 198.30 | 198.90 | | 201.40 | 177.89 |
| Montreal, Que. | | Track | WHEAT | 209.61 | 209.41 | | 205.41 | 190.27 |
| | | | OATS | 289.43 | 285.32 | | 289.86 | 159.55 |
| | | | BARLEY | 199.12 | 199.72 | | 202.22 | 178.71 |
| Moncton, N.B. | | Track | WHEAT | 237.89 | 237.69 | | 233.69 | 211.45 |
| | | | OATS | 313.71 | 309.60 | | 314.14 | 182.89 |
| | | | BARLEY | N/A | N/A | | N/A | 190.82 |
| Truro, N.S. | | Track | WHEAT | 236.08 | 235.88 | | 231.88 | 211.62 |
| | | | OATS | 314.72 | 310.61 | | 315.15 | 183.86 |
| | | | BARLEY | N/A | N/A | | N/A | 204.44 |
| Stephenville, Nfld | | Track / Truck via Sydney | WHEAT | 283.14 | 282.94 | | 278.94 | 254.96 |
| | | | OATS | 364.00 | 359.89 | | 364.43 | 231.24 |
| | | | BARLEY | N/A | N/A | | N/A | 252.73 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|-----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 130.50 | 130.07 | | 133.35 | 132.74 |
| To: Montreal, Que. (US Corn) | In-store | | 149.40 | 148.97 | 1.0 | 152.25 | 151.64 |
| From: Chicago (Mi) | Track | | 129.87 | 130.07 | | 132.11 | 122.11 |
| To: Montreal, Que. (US Corn) | Track | | 158.90 | 159.10 | | 161.14 | 149.65 |
| From: Chatham | Track | | 142.02 | 142.71 | | 146.65 | 142.41 |
| To: Montreal, Que. | Track | | 165.40 | 166.09 | | 170.03 | 165.30 |

| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 286.27 | 292.11 | | 301.70 | 336.86 |
| To: Montreal, Que. | Track | | 310.69 | 316.53 | | 326.12 | 359.33 |
| Moncton, N.B. | Track | | 333.90 | 339.74 | | 349.33 | 376.64 |
| Truro, N.S. | Track | | 332.73 | 338.57 | | 348.16 | 379.61 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 381.53 | 387.37 | | 396.96 | 428.87 |

1. Prices include one month of storage and interest charges n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

January 25, 2002 Volume 15 Number 2

MALT

The Canadian malting industry has expanded over the past decade to provide value-added products that have become increasingly important to Canadian agriculture. Several new malting plants have opened over the period as companies have been interested in Canada's high quality malting barley. While domestic use of malt has been stable, malt exports have increased, with the value of exports increasing from \$86 million dollars (M) in 1990-1991 to about \$233M in 2000-2001. Malt production is forecast to decline in 2001-2002 due to increased competition into South American markets by the European Union (EU) and high prices for barley attributable to shortages caused by drought in western Canada. However, barley production is expected to recover in 2002-2003, which should reduce barley prices and support malt production. This issue of the *Bi-weekly Bulletin* highlights the Canadian malting industry, and examines the situation and outlook for Canadian malt.

THE MALTING PROCESS

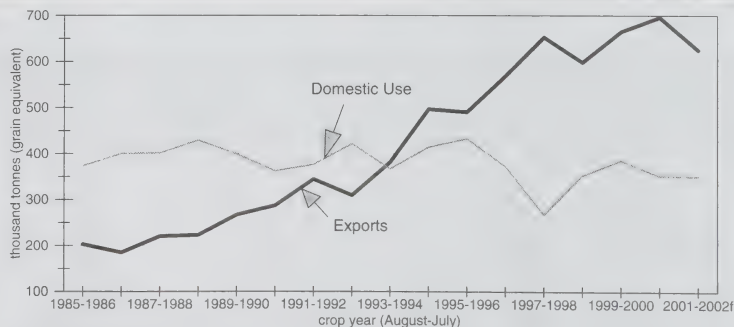
Malt is the product created through controlled germination and drying (or kilning) of barley, and is primarily used for brewing beer. Malt production is a natural biological process during which barley kernels are partially sprouted resulting in the modification of the barley endosperm. This modification involves the breakdown of the cell wall components, the partial breakdown of proteins, and the generation of the enzymes necessary for converting starch into sugars during brewing. This process has been carried out for centuries, with malt originally produced by hand and germinating barley turned using a shovel. Today, malting plants are highly mechanized and automated, and operate 24 hours a day, 365 days a year.

The malting process consists of three stages. **Steeping** is the first stage of the process, where barley is

intermittently immersed in water for about 36-48 hours to initiate germination. Biochemical reactions begin to take place in the steeping stage, as enzymes are released and simple sugars supply energy to the growing embryo. Barley moisture content reaches 42-45% after this process is completed and the germination stage begins. During the **germination stage**, the steeped barley

continues to grow and biochemical reactions occur at a vigorous rate, as enzymes are produced which break down proteins and other cell wall components. The steeped barley is held in tanks about 5 feet deep for about 3.5 to 4.5 days, with air circulated through the germinating barley that is turned every 8-10 hours to ensure even germination. Moisture is maintained at

CANADA: MALT



f: forecast, AAFC, January 2002
Source: Statistics Canada

Canada

2001-2002 PRODUCTION CAPACITY OF MAJOR CANADIAN MALTSTERS

| | | tonnes of malt/year |
|--------------------------|----------------------|---------------------|
| Canada Malting Co. | Calgary, Alberta | 260,000 |
| | Thunder Bay, Ontario | 130,000 |
| | Montreal, Quebec | 80,000 |
| Prairie Malt Limited | Biggar, Saskatchewan | 220,000 |
| Westcan Malting Limited | Alix, Alberta | 140,000 |
| Dominion Malting Limited | Winnipeg, Manitoba | <u>92,000</u> |
| Total | | 922,000 |

Source: Canadian International Grains Institute and industry sources

about 44-47% at temperatures of 14-19 degrees Celsius. The **kilning stage**, the final stage of the malting process, occurs when heated air is circulated through the product to end germination and the associated biochemical reactions. Kilning also develops malt flavour and colour, and dries the malt to preserve its quality. The malt, at approximately 4% moisture, is very stable and can be stored for several months.

The finished malt is then usually shipped to a brewery, where the brewer crushes the malt and adds water to it. By doing this, biochemical reactions are allowed to continue to take place and

starches and protein in the malt are further broken down. A sugar mixture rich in maltose and amino acids is created from the malt and is easily converted to ethanol by brewers yeasts.

THE CANADIAN MALTING INDUSTRY

The Canadian malting industry has changed considerably over the past ten years, as two new plants were built and one expanded significantly in the early 1990s. As well, ownership of existing plants changed and specialty maltsters increased in importance. Growth in malt export markets and increasing international demand for beer contributed

to the industry's expansion. This expansion increased the amount of malting barley processed in Canada from about 650,000 tonnes (t) in 1990-1991 to nearly 1,100,000 t (about 825,000 t of malt, assuming that 1 t of barley produces about 0.75 t of malt) in 2001-2002. However, it is unlikely the domestic malting industry will expand further in the short-term as new plants have recently been announced in the United States (U.S.)- Idaho. They will add a significant amount of malt production capacity to the North American market, thereby displacing some Canadian export sales of malt to the U.S. and Mexico.

MALT MARKETS

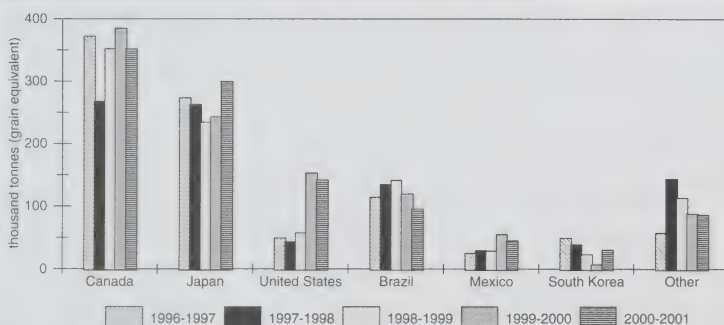
The Domestic Market

The domestic brewing industry is the single largest market for Canadian malt, purchasing about 260,000 t of malt (350,000 t grain equivalent) in 2000-2001. There has been no significant growth in sales to the Canadian brewing industry over the past decade, so the Canadian malt industry has expanded as a result of increased exports.

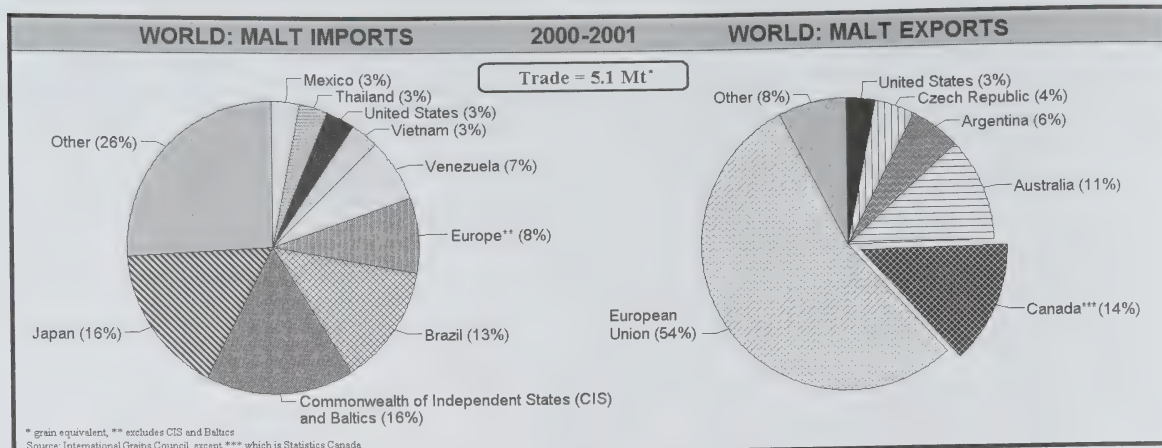
Major Importers

Japan has been the largest importer of malt in the world for several years importing 640,000 t (850,000 t grain equivalent) in 2000-2001, and has been Canada's largest export market, purchasing about 200,000 t of malt from Canada annually. The **U.S.** is Canada's second largest export market, and over the past two years exports to the U.S. have grown rapidly, with exports of malt surpassing 100,000 t (nearly 150,000 t grain equivalent). U.S. barley production has declined and diseases (fusarium) have been a problem, contributing to the increased demand for Canadian malt. It is also interesting to note that the U.S., which has mainly purchased six-row malting barley in the past, began to increase the amount of two-row barley that it imports from

CANADA: MALT MARKETS



Source: Statistics Canada



Canada in the latter part of the decade. Two-row malting barley imports by the U.S. increased from about 15-20% of their total imports in the mid-1990s, to about 30% currently. **Mexico** has also become an important market for Canada as beer production and consumption in that country have been growing rapidly with about 35,000 t (50,000 t grain equivalent) of Canadian malt exported to that country in 2000-2001.

Some of Canada's increased malt production over the past decade has been driven by increased exports to Latin America and Asia. **Brazil** is the world's second largest importer of malt, importing nearly 525,000 t (700,000 t grain equivalent) of malt in 2000-2001, with about 70,000 t of malt imported from Canada that year. Canadian exports to Brazil have declined since 1998-1999, as competition from the EU has been intense and has limited Canadian sales. Sales to **South Korea** have declined from their peak in 1994-1995, as Australia has been competitive into that market.

China, one of Canada's largest markets for malting barley, has not been an important market for malt due to a prohibitive tariff on malt imports. There is a possibility that this could begin to change as China's import tariff on malt

has been reduced from 26% in 2001 to 10% in 2002 as a condition of joining the World Trade Organization (WTO). This reduced tariff might encourage some interest in malt by China in the future, however the country is likely to continue to import malting barley as the tariff on the bulk grain remains low (3%) and China has recently made substantial investments in malting infrastructure. China has recently built large modern malt plants and has begun to incorporate some of Canada's newer barley varieties into their operations. As a result of continued improvement in varieties and a reputation for reliable supplies of high quality products, Canada has been successful at increasing exports of malting barley to China, and China is expected to remain a major market for Canadian malting barley.

Major Exporters

The **EU** is the world's largest exporter of malt and is very competitive with Canada, especially into Latin American markets. In 2000-2001, EU countries exported 2.1 million tonnes (Mt) of malt (about 2.8 Mt grain equivalent) and accounted for more than half of global malt trade. In the past, the EU has used subsidies to support the EU malting industry but the EU has not offered them since the 1999-2000 crop year due to tight barley supplies, budget constraints,

and trade policy considerations. The EU is not expected to offer subsidies for the rest of the 2001-2002 crop year as supplies in that region remain tight. The EU's restrained use of export subsidies has helped to support world prices of malt and malting barley, as well as feed barley. There is, however, a substantial farm support program paid directly to farmers that has prevented the full effect of the drop in subsidies from being realized.

In **Australia**, another major competitor, a number of changes have taken place in the malting barley marketing structure over the past few years. Two large barley sales agencies (ABB Grain Ltd. and the Grain Pool of Western Australia) recently joined together to form Grain Australia. The company holds a monopoly on exports of barley from two of Australia's largest barley producing states, South Australia and Western Australia, while the domestic industry operates under a dual marketing system. The company is also expected to be a major competitor in the state of Victoria. Grain Australia is expected to export about 80% of Australia's barley and will play an important role in Australia's malt industry. More recently, ConAgra Foods Inc. and Grainco Australia, the only buyer of malting barley in the states of New South Wales and Queensland,

merged marketing and logistics operations to form a new company called MarketLink (Aust) Pty Ltd. This new company is also expected to support Australia's competitiveness in the global malt industry. Australia exported 0.6 Mt (grain equivalent) of

malt in 2000-2001, and this amount is likely to increase in 2001-2002.

CANADIAN WHEAT BOARD (CWB)

The CWB holds a monopoly on Canadian malting barley sales to

domestic and international customers. Sales are made in two ways: (1) the CWB works directly with customers to negotiate the purchase price and delivery conditions, and (2) accredited exporting companies purchase malting barley from the CWB for sales on their

VARIETIES RECOMMENDED BY THE MALTING BARLEY INDUSTRY GROUP

TWO-ROW VARIETIES

AC Metcalfe

This variety has good disease resistance, fair lodging resistance, and is resistant to loose smut. In the malting process, AC Metcalfe has good levels of malt extract with enzyme levels similar to Harrington. It modifies quickly during the malting process, so it must be malted carefully to avoid excess levels of soluble protein. Area seeded to this variety of two-row malting barley increased sharply in 2001-2002. Of the area seeded to two-row malting barley, the percentage seeded to AC Metcalfe increased from 20% in 2000-2001 to 27% in 2001-2002 and is expected to increase in 2002-2003. It is now the number one recommended variety, as it is widely accepted domestically and for export.

Harrington

This variety matures early and has average yields. Its area has declined, primarily due to agronomic reasons as other varieties have improved disease resistance and field performance. Although more area was seeded to Harrington than any other two-row malting variety in 2001-2002, area seeded to Harrington declined from 45% of all two-row area planted in 2000-2001 to 37% in 2001-2002. Harrington is expected to decline even more as acceptance of other varieties by farmers and maltsters continues in the future. Industry demand for Harrington is declining as the demand for other recommended varieties is increasing.

CDC Kendall

This variety has better yield, disease resistance, and straw strength than Harrington. It has low levels of beta-glucan, and malt extract levels are similar to Harrington while enzyme levels are slightly higher. Area seeded to this variety also increased sharply, from 5% of two-row malting barley area in 2000-2001, to 10% in 2001-2002. It is expected to increase further in 2002-2003, with expanding domestic markets and potential export markets.

Other recommended two-row malting varieties include **Stein**, **CDC Stratus**, and **Merit**.

SIX-ROW VARIETIES

Excel

Excel yields well, has good straw strength, and has better disease resistance than other six-row varieties. It has malt extract and enzyme levels typical of other six-row barley varieties. This variety was the most common six-row variety produced on the prairies in 2001-2002, making up 42% of the area seeded to six-row varieties, but is expected to show reduced demand in 2002-2003.

Robust

This variety has average yields, and has good straw strength. This variety was popular with six-row barley growers, as 37% of the area seeded to six-row malting varieties was of this variety in 2001-2002. It has established demand.

B1602

This variety has average yields, good straw strength, and has less time to maturity than other varieties. It modifies well in the malting process and has less water sensitivity than other varieties, which simplifies steeping. In 2001-2002, about 10% of the area seeded to six-row varieties was of the B1602 variety. It has established demand in the U.S. and for export to Japan for barley tea use.

CDC Sisler and **Legacy** are also on the list of recommended six-row malting barley varieties, with both showing some growing demand.

own accounts. Canadian maltsters purchase all of their malting barley requirements from the CWB, with prices for malting barley based on North American and international market prices.

SELECTION PROCESS

Canadian barley goes through a rigorous screening process before being selected for malting. Representative barley samples are sent by farmers to grain companies or malting companies, where the samples are tested to evaluate numerous quality characteristics. The CWB, and subsequently the farmer, is notified if a barley sample is selected for malting. Later, prior to delivery to the grain company or malting company, the stored barley is sampled again to ensure that the barley has maintained its quality, once while the barley is stored on farm, and a second time while on the truck just prior to being received by the grain company or malting company. If the malting barley is for export then the Canadian Grain Commission performs a final quality check as the barley is being loaded into the vessel to ensure that it meets customers' specifications.

CANADIAN RESEARCH AND VARIETIES

Choice of variety is very important to both brewers, maltsters, and farmers, as varieties may perform differently in the malting and brewing processes, and agronomic performance can vary considerably. Harrington two-row barley was first registered in Canada in 1981 and has been the king of Canadian malting barley, setting standards for malting performance internationally. More recently, researchers have developed a number of varieties of malting barley with malting performance as good as or better than Harrington, and with superior agronomic performance. Some of these varieties are now well established in the market place and many customers are switching to these new varieties from Harrington.

Two-row malting barley has been increasing in importance in western Canada for a number of years, and this trend continued in 2001-2002. The proportion of barley area seeded to two-row malting varieties increased to 51% from 44% in 2000-2001, while six-row malting varieties declined to 15% from 21% in 2000-2001. There have been a number of reasons for this shift, with pressures coming from both the supply and demand sides of the market.

SITUATION AND OUTLOOK

For 2001-2002, Canada is forecast to select 2.0-2.2 Mt of malting quality barley this year, below the 2000-2001 level of about 2.3 Mt. Drought in Saskatchewan and Alberta, which are normally important malting barley producing provinces, reduced yields and resulted in crop failure in some areas. A higher than normal amount of barley fields were harvested for forage rather than for grain, due to the very low yields expected and to try to make up for poor hay and pasture growth. The shortage of barley has been magnified by high protein levels which further reduced the supply of malting quality barley.

Domestic maltsters processed about 1.1 Mt of barley into malt in 2000-2001, but domestic processing is expected to be below that level in 2001-2002 as the limited Canadian supplies of barley have played a role in the dynamics of the market. Japan, the U.S., Mexico, and the domestic market are expected to be the primary buyers of Canadian malt this year, with declining exports to Latin America and some Asian nations.

Although Japan remains a very important customer, demand from that country has fallen. One of the reasons behind the decline has been related to the popularity of happoshu, a beer which uses much less malt than regular

| BREWING AND MALTING BARLEY RESEARCH INSTITUTE (BMBRI) | CANADIAN MALTING BARLEY TECHNICAL CENTRE (CMBTC) |
|--|--|
| www.bmbri.ca | www.cmbtc.com |
| The BMBRI supports research, development, and evaluation of new malting barley varieties by funding research projects, coordinating trials of new malting barley varieties, and participating in the varietal registration system. The BMBRI also helps to relay information about important barley quality traits from brewers and maltsters to researchers, breeders, and producers. The BMBRI is funded by members of the malting and brewing industry. | The CMBTC is an applied research facility that evaluates brewing and malting characteristics of malting barley varieties using pilot scale malting and brewing equipment. The Centre has a 100 kilogram pilot malting plant and a three hectolitre pilot brewery which replicates the performance of commercial equipment. In addition to its research capabilities, the Centre also offers technical assistance and educational programs to domestic and international customers. The CMBTC is a non-profit organization created by its members, who include some major stakeholders in the Canadian malting barley industry. |

beer (less than half). Happoshu is priced much lower than traditional beers as its low malt content permits it to be taxed at a much lower rate. Happoshu has the same alcohol content as regular beer, and its relatively low price and light flavour have helped to stimulate demand. In the longer term, if the popularity of happoshu continues to increase then Japanese demand for malt may fall further.

The January CWB Pool Return Outlooks for Special Select Two-Row (SS2R) and Special Select Six-Row (SS6R) Designated Barley are \$214/t and \$189/t, respectively, compared to

\$201/t and \$176/t for the final realized price in 2000-2001. Maltsters have had to compete for supply with a very strong domestic feed market and the highest domestic feed barley prices seen since 1995-1996. Feed barley prices (in-store Lethbridge) are forecast by Agriculture and Agri-Food Canada at \$150-170/t, with the mid-point \$31/t above the 2000-2001 price of \$129/t.

Longer Term Issues

A concern facing the industry is disease, such as fusarium head blight, which produce toxins that render barley unsuitable for brewing. Canadian researchers are working to develop new

varieties to address this concern. Some new varieties have been developed, primarily two-row barley varieties, which have somewhat better resistance to fusarium and this improved resistance may push the preference toward two-row varieties even further. However, even these new varieties are susceptible to fusarium and research in the area is continuing.

As well, the expansion of the domestic livestock industries will play a role in the development of the malting industry. Although the strong domestic feed industry increases the amount of competition for Canadian barley supplies, the expanding livestock industry is generally supportive of

barley production through demand and prices. Assuming that area seeded to barley increases as livestock production increases, then maltsters may have more high quality barley to select from and may have improved selection quality. The Canadian livestock market is expected to continue to expand over the next five years, and its impact on Canada's malting industry will be a factor to watch.


For more information:

Dennis Jackson

Coarse Grains Analyst

Phone: (204) 983-8461

E-mail: jacksond@em.agr.ca



GrainWorld 2002
Conference
Winnipeg, Manitoba
February 24-26, 2002
<http://www.cwb.ca/other/gw/index.shtml>

CANADA: BARLEY SUPPLY AND DISPOSITION

| <i>August-July crop year</i> | 1999 -2000 | 2000 -2001 | 2001 -2002f |
|--|-----------------------|-----------------------|------------------------|
| Harvested Area (Mha) | 4.1 | 4.6 | 4.4 |
| Yield (t/ha) | 3.2 | 3.0 | 2.6 |
|million tonnes..... | | | |
| Carry-in Stocks | 2.7 | 2.8 | 2.5 |
| Production | <u>13.2</u> | <u>13.5</u> | <u>11.4</u> |
| Total Supply | 15.9 | 16.3 | 13.9 |
| Feed, Waste & Dockage | 9.8 | 10.5 | 9.7 |
| Food, Seed & Other | <u>0.8</u> | <u>0.8</u> | <u>0.8</u> |
| Total Domestic Use | 10.7 | 11.3 | 10.5 |
| Feed | 0.5 | 0.7 | 0.1 |
| Malting | 1.2 | 1.2 | 1.0 |
| Malt | <u>0.7</u> | <u>0.7</u> | <u>0.6</u> |
| Total Exports | 2.4 | 2.6 | 1.7 |
| Carry-out Stocks | 2.8 | 2.5 | 1.7 |
| Prices (\$/t) | | | |
| <i>CWB in-store VC/SL</i> | | | |
| SS2R Designated Barley | 187 ^{1/} | 201 ^{1/} | 214 ^{2/} |
| SS6R Designated Barley | 182 ^{1/} | 176 ^{1/} | 189 ^{2/} |
| <i>Lethbridge (WCE)</i> | | | |
| Feed Barley, 1 CW | 110 | 129 | 150-170 |
| ^{1/} CWB final realized price | | | |
| ^{2/} CWB January 2002 PRO | | | |
| f: forecast, AAFC, January 2002 | | | |
| Source: Statistics Canada | | | |

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524**

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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Canadian Wheat Board, Research Branch (AAFC), Market and Industry Services Branch (AAFC)

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday January 14, 2002

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|---------------|------------|--------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| Vancouver B.C. | This week | FOB | 183.16 | N/A | 185.16 | 177.00 | | 330.00 | (7) 226.50 | 175.00 | 310.00 | (4) 880.00 | 440.00 | | | | 460.00 |
| | Week ago | | 183.16 | N/A | 185.16 | 174.00 | | 311.00 | (7) 222.00 | 172.00 | 310.00 | (4) 880.00 | 440.00 | | | | 460.00 |
| Calgary Alta | This week | FOB | 160.00 | N/A | 162.00 | 162.00 | | 318.00 | N/A | | 270.00 | (4) 930.00 | 475.00 | | | | 460.00 |
| | Week ago | | 160.00 | N/A | 162.00 | 169.00 | | 299.50 | N/A | | 270.00 | (4) 930.00 | 475.00 | | | | 460.00 |
| Saskatoon Sask. | This week | FOB | 158.00 | 222.50 | 147.00 | 152.00 | | 311.00 | 212.00 | | 280.00 | (4) N/A | 475.00 | | 203.33 | | 490.00 |
| | Week ago | | 158.00 | 222.50 | 147.00 | 152.00 | | 292.50 | 212.00 | | 280.00 | (4) N/A | 475.00 | | 203.33 | | 490.00 |
| Melfort Sask. | This week | FOB | 163.00 | 232.91 | 149.80 | | | | | | | | | | | | |
| | Week ago | | 161.00 | 259.64 | 151.00 | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | 165.00 | 233.83 | 152.42 | 145.00 | | 294.50 | 202.00 | | 285.00 | (4) 816.00 | 420.00 | | | | 420.00 |
| | Week ago | | 164.50 | 238.21 | 152.82 | 141.00 | | 276.00 | 202.00 | | 280.00 | (4) 816.00 | 420.00 | | | | 420.00 |
| Thunder Bay Ont. | This week | In-store | (8) 149.00 | N/A | (8) 157.80 | | | | | | | | | | | | |
| | Week ago | | (8) 147.00 | N/A | (8) 159.00 | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | 132.52 | | | | | | | | | | | |
| | Week ago | Vessel | | | | 131.13 | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | 187.50 | 315.00 | (8) 157.80 | | | | | | | | | | | | |
| | Week ago | | 185.00 | 310.00 | (8) 159.00 | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | 140.84 | | | | | | | | | | | |
| | Week ago | | | | | 141.92 | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 147.50 | | | | | | | | | | | |
| | Week ago | | | | | 147.50 | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Trois-Riv. Que. | This week | In-store | 200.00 | | 192.80 | 154.62 | | | | | | | | | | | |
| | Week ago | | 193.00 | | 194.00 | 151.76 | | | | | | | | | | | |
| St-Jean Que. | This week | FOB | 172.00 | 195.00 | 176.40 | (2) 141.63 | | | | | | | | | | | |
| St-Hyacinthe Que. | Week ago | | 173.50 | 187.50 | 177.00 | (2) 141.13 | | | | | | | | | | | |
| Quebec Que. | This week | In-store | 199.83 | | 195.30 | 154.62 | | | | | | | | | | | |
| | Week ago | | 195.17 | | 195.83 | 153.08 | | | | | | | | | | | |
| Truro N.S. | This week | Track | 226.35 | 237.20 | 217.27 | 184.17 | | | | | | | | | | | |
| | Week ago | | 226.42 | 226.22 | 218.92 | 184.51 | | | | | | | | | | | |
| Truro N.S. | This week | Water & Truck | N/A | N/A | N/A | 179.70 | | | | | | | | | | | |
| | Week ago | | N/A | N/A | N/A | 177.95 | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | N/A | N/A | N/A | 170.70 | | | | | | | | | | | |
| | Week ago | | N/A | N/A | N/A | 168.95 | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Ménard
Thunder Bay prices are based on the Winnipeg Commodities Exchange market close
Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat. No.1 Feed Oats. No.1 Canada Western or Eastern Butley. No.2 Canada Yellow Corn. No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley (8) Futures, WCE

| B. CASH PRICES AND REPLACEMENT VALUES | | | As of Monday January 14, 2002 | | | | | |
|---------------------------------------|------------|--------------------------|-------------------------------|-----------|----------|-----------|----------|--------|
| PRAIRIE GRAINS | | | | | | | | |
| SELECTED POINT | | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO | |
| From: Thunder Bay 2 | | In-Store | WHEAT | 171.00 | 169.00 | | 173.50 | 139.50 |
| | CBOT | | OATS | N/A | N/A | | 252.29 | 115.96 |
| | LETHBRIDGE | | BARLEY | 159.00 | 160.10 | | 163.00 | 125.00 |
| To: Bayports, Ont. | | In-store | WHEAT | 194.10 | 192.10 | 1. | 196.60 | 164.61 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 186.15 | 187.25 | 1. | 190.15 | 154.45 |
| Montreal, Que. | | In-store | WHEAT | 198.85 | 196.85 | 1. | 201.35 | 169.46 |
| | | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | | BARLEY | 191.27 | 192.37 | 1. | 195.27 | 159.96 |
| Moncton, N.B | | Truck via Halifax | WHEAT | 221.32 | 219.32 | | 223.82 | 191.96 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 217.63 | 218.73 | | 221.63 | 186.02 |
| Truro, N.S. | | Truck via Halifax | WHEAT | 218.82 | 216.82 | | 221.32 | 189.40 |
| | | | OATS | N/A | N/A | | N/A | N/A |
| | | | BARLEY | 212.75 | 213.85 | | 216.75 | 181.14 |
| Halifax, N.S. | | In-store | WHEAT | 206.15 | 204.15 | 1. | 208.65 | 176.73 |
| | | | OATS | N/A | N/A | 1.0 | N/A | N/A |
| | | | BARLEY | 199.07 | 200.17 | 1.0 | 203.07 | 167.47 |
| Stephenville, Nfld. | | Track / Truck via Sydney | WHEAT | 265.93 | 263.93 | | 268.43 | 234.43 |
| | | | OATS | N/A | N/A | | 358.49 | 222.16 |
| | | | BARLEY | 266.14 | 267.24 | | 270.14 | 232.14 |
| From: Melfort, Sask. | | FOB | WHEAT | 163.00 | 161.00 | | 163.50 | 128.50 |
| | | | OATS | 232.91 | 259.64 | | 233.68 | 100.14 |
| | | | BARLEY | 149.80 | 151.00 | | 153.80 | 116.10 |
| To: Bayports, Ont. | | Track | WHEAT | 212.15 | 210.15 | | 212.65 | 184.62 |
| | | | OATS | 289.80 | 316.53 | | 290.57 | 159.01 |
| | | | BARLEY | 199.50 | 200.70 | | 203.50 | 169.49 |
| Montreal, Que. | | Track | WHEAT | 212.91 | 210.91 | | 213.41 | 185.37 |
| | | | OATS | 293.52 | 320.25 | | 294.29 | 159.91 |
| | | | BARLEY | 200.32 | 201.52 | | 204.32 | 170.31 |
| Moncton, N.B. | | Track | WHEAT | 241.19 | 239.19 | | 241.69 | 206.55 |
| | | | OATS | 317.80 | 344.53 | | 318.57 | 183.25 |
| | | | BARLEY | N/A | N/A | | N/A | 182.42 |
| Truro, N.S. | | Track | WHEAT | 239.38 | 237.38 | | 239.88 | 206.72 |
| | | | OATS | 318.81 | 345.54 | | 319.58 | 184.22 |
| | | | BARLEY | N/A | N/A | | N/A | 196.04 |
| Stephenville, Nfld | | Track / Truck via Sydney | WHEAT | 286.44 | 284.44 | | 286.94 | 250.06 |
| | | | OATS | 368.09 | 394.82 | | 368.86 | 231.60 |
| | | | BARLEY | N/A | N/A | | N/A | 244.33 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|-----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 132.52 | 131.13 | | 131.55 | 125.64 |
| To: Montreal, Que. (US Corn) | In-store | | 151.42 | 150.03 | 1.0 | 150.45 | 146.76 |
| From: Chicago (Mi) | Track | | 135.66 | 133.01 | | 131.55 | 119.16 |
| To: Montreal, Que. (US Corn) | Track | | 164.69 | 162.04 | | 160.58 | 146.70 |
| From: Chatham | Track | | 140.84 | 141.92 | | 143.99 | 137.49 |
| To: Montreal, Que. | Track | | 164.22 | 165.30 | | 167.37 | 160.38 |

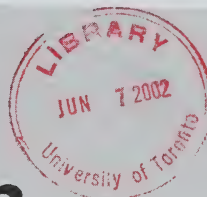
| | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 296.96 | 282.85 | | 288.91 | 325.51 |
| To: Montreal, Que. | Track | | 321.38 | 307.27 | | 313.33 | 347.98 |
| Moncton, N.B. | Track | | 344.59 | 330.48 | | 336.54 | 365.29 |
| Truro, N.S. | Track | | 343.42 | 329.31 | | 335.37 | 368.26 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 392.22 | 378.11 | | 384.17 | 417.52 |

1. Prices include one month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
 Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

March 15, 2002 Volume 15 Number 4

ARGENTINA

Argentina is a major exporter and competitor in the world market for soybeans, corn, wheat, and beef. In recent years, it has focussed on developing the manufacturing sector in order to improve its trade balance and to stimulate economic growth. It has become less dependent on agriculture as a contributor to the domestic economy. Argentina has had difficulty in servicing its foreign debt and has been in recession for several years. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Argentina's grains and oilseeds sectors, and the implications for Canada.

BACKGROUND

The Economy

Argentina has a population of about 37 million, and it is the second largest country in South America. It is rich in natural resources and has a highly literate population, an export-oriented agricultural sector, and a diversified industrial base.

Argentina has invested in equipment and new technologies to improve productivity and competitiveness in world markets, but some of its policies have stifled economic growth. For example, counterproductive export policies and high export duties contributed to the loss of important export markets. That was particularly evident during the 1980s when the country struggled with a stagnant economy, burdensome foreign debt, and hyperinflation.

In response, Argentina embarked on a path of trade liberalization, deregulation, and privatization, including the 1991 *Mercosur Common Market Agreement* with Brazil, Paraguay and Uruguay. Mercosur is not a true common market, but it calls for a gradual elimination of all tariffs on goods originating in and traded among the member nations. Ongoing negotiations are aimed at creating a full common market by 2006, at which time Mercosur would do more than just reduce and harmonize tariffs. Once Mercosur is fully operational, the economic, legislative, environmental, infrastructure and

technology policies of all member countries are expected to be coordinated.

For Argentina, the early effects of Mercosur were almost immediate. The agreement contributed to political stability and, as Argentina overhauled its economy, foreign companies began investing billions of dollars. Argentina's real gross domestic product (GDP) grew steadily, reaching a growth rate of 8% in 1997. Seeing the benefits of Mercosur, Chile and Bolivia became associate members. This created a trading block of 6 countries with a combined population of over 200 million, which is more than two-thirds of South America's population, and a total GDP of over US\$1.0 trillion.

Despite the economic benefits of Mercosur, the financial crises in Asia, Brazil and Russia eroded investor confidence in emerging markets, Argentina being one of them. The result was higher interest rates and a lower rate of economic growth. As Brazil devalued its currency, the *real*, Argentine manufacturers became concerned about the flood of relatively cheap Brazilian imports. Argentine officials accused Brazil of dumping, and imposed quotas on some manufactured goods from Brazil. The relationship between the two countries deteriorated. This relationship worsened when Brazil refused to compensate Argentina for damages due to the devalued *real*. It became apparent that trade disputes were jeopardizing Mercosur's ability to promote the economic well-being

of its member nations. By 1999, Argentina's budgetary deficit was growing by 2.5% of GDP, or about US\$12 billion per year.

Today, Argentina's economy has been in recession for about four years, and domestic and foreign investors remain sceptical about its ability to deal with its huge debt, which stands at about US\$132 billion. To help Argentina deal with its economic problems, the International Monetary Fund (IMF) offered US\$13.7 billion in support in early 2001, that support being conditional on reduced spending by central and provincial governments, and on improvements in the tax collection and banking systems.

However, the Argentine government had difficulty meeting conditions set out by the IMF. GDP had already decreased for the third year in a row, unemployment was up, and external financing from private sources had virtually dried up. Private sector deposits decreased and, with a limited supply of available credit, interest rates soared. The increasing burden of interest payments on the country's debt forced government to reduce primary spending, but it was not enough to prevent a further widening of the government deficit. By December 2001, authorities imposed limits on withdrawals in order to prevent a massive flight of capital out of the country.

Argentina's economic problems have been attributed in part to its monetary policies. When Argentina fixed its *peso* at a one-to-one ratio with the United States (US) dollar in 1991, there were some initial benefits. There was lower inflation, good economic growth, and the convenience of being able to make transactions in either currency. As a further benefit of this fixed exchange rate policy, Argentina appeared to be a relatively safe place for foreign investment, unlike Mexico where investors had experienced big losses when its *peso* was devalued in 1994. But, as the price of Argentina's exports increased due to its over-valued *peso*, Argentina's ability to compete in world markets decreased. Ultimately, even trade with Brazil, which is Argentina's most important trading partner, was affected by the fixed rate policy.

Transportation

Argentina has an extensive rail network for handling some of its domestic movements of grains and oilseeds, but trucking is the most important mode of land transport. This is due largely to the relatively short distances between the major areas of crop production and its ports, that distance averaging between 200 and 300 kilometres. During the past decade, many of Argentina's port facilities have been privatized, and the result has been more streamlined operations and significant cost reductions for exporters and other users. Investments in infrastructure at major port locations such as Buenos Aires, Bahia Blanca, Rosario, and Necochea have increased storage capacity and resulted in other major capital improvements.

Argentina's inland waterway system plays an important role in facilitating trade, particularly between Mercosur countries. The Hidrovia is a major infrastructure project aimed at improving the competitiveness of Argentina's grains and oilseeds sector by taking advantage of a relatively low cost water transportation system. Once fully developed, this system would be especially suited for large bulk shipments. Dredging the lengthy Paraguay-Parana waterway has already allowed ocean vessels with capacity of up to 35,000 tonnes to easily travel between Buenos Aires and the Rosario agricultural region.

Agriculture

Argentina's land area is comprised of approximately 2.8 million square kilometres, of which about 9% is arable. Much of that arable land is the Pampa, a fertile plain interrupted only by some low

hills, or sierras. Over millions of years, the Pampa has been enriched by wind-borne soil known as loess, and by water-borne alluvium that washed off the Andes Mountains, making it particularly suitable for crop and livestock production.

The Pampa consists of two climatic zones: the coastal humid pampa, or *pampa humeda*; and the dry pampa, or *pampa seca*. The *pampa humeda* receives abundant precipitation and is Argentina's major crop and livestock producing region. In the *pampa seca* region, there is much less precipitation and crops typically have to be irrigated.

The Pampa is probably best known for the famous Argentine *gaucho*, or cowboy, highlighting the historical significance of its livestock sector. Argentina has about 50 million head (Mhd) of cattle, of which the estimated slaughter in 2001 was 13 Mhd. It also has the highest per capita consumption of beef of the Latin American countries which, at an estimated 60 kilograms per person, is double that of Canada's per capita beef consumption. Although officially declared free of foot and mouth disease (FMD) in 1999, there were outbreaks of FMD in early 2001 which have had detrimental effects on Argentina's livestock industry. To deal with the outbreaks, Argentina's health officials are looking to achieve FMD-free status within four years largely by means of an extensive vaccination program.

Argentina is experiencing many of the problems associated with increased industrialization. These problems include soil degradation, desertification, and air and water pollution. Recognizing the importance of these environmental issues, Argentina has established itself as a world leader in setting voluntary targets for greenhouse gas emissions.

Argentina's Trade Activities

Argentina is a major exporter. Since 1992, agricultural products, primary and processed, account for about 70% of

ARGENTINA: SOYBEAN AND SOYBEAN PRODUCTS SUPPLY AND DISPOSITION

| May-April Marketing Year | 1991 -1992 | 1999 -2000 | 2000 -2001 | 2001 -2002 |
|---------------------------------|---------------|---------------|---------------|---------------|
|million tonnes..... | | | | |
| SOYBEANS | | | | |
| Carry-in Stocks | 0.3 | 6.2 | 5.7 | 7.7 |
| Production | 11.2 | 21.2 | 27.5 | 28.7 |
| Imports | 0.0 | 0.5 | 0.4 | 0.4 |
| Total Supply | 11.5 | 27.9 | 33.6 | 36.8 |
| Consumption* | 8.4 | 18.0 | 18.5 | 20.5 |
| Exports | 2.9 | 4.1 | 7.4 | 8.4 |
| Total Use | 11.2 | 22.2 | 25.9 | 28.9 |
| Carry-out Stocks | 0.3 | 5.7 | 7.7 | 7.9 |
| SOYMEAL | | | | |
| Carry-in Stocks | 0.2 | 0.6 | 0.2 | 0.2 |
| Production | 6.4 | 13.2 | 14.9 | 15.5 |
| Total Supply** | 6.6 | 13.8 | 15.1 | 15.7 |
| Consumption | 0.2 | 0.2 | 0.2 | 0.2 |
| Exports | 6.2 | 13.4 | 14.7 | 15.2 |
| Total Use | 6.4 | 13.6 | 14.9 | 15.4 |
| Carry-out Stocks | 0.2 | 0.2 | 0.2 | 0.3 |
| SOYOIL | | | | |
| Carry-in Stocks | 0.0 | 0.2 | 0.0 | 0.1 |
| Production | 1.4 | 3.0 | 3.5 | 3.6 |
| Total Supply** | 1.4 | 3.2 | 3.5 | 3.7 |
| Consumption | 0.1 | 0.1 | 0.1 | 0.2 |
| Exports | 1.3 | 3.1 | 3.3 | 3.4 |
| Total Use | 1.4 | 3.2 | 3.4 | 3.6 |
| Carry-out Stocks | 0.0 | 0.0 | 0.1 | 0.1 |
| * includes processing | | | | |
| ** includes imports | | | | |
| Source: WASDE, USDA, March 2002 | | | | |

Argentina's total export revenues. Its most important trading partner has been Brazil. The other major destinations for its exports are the European Union (EU) and the US. The EU is an important market for Argentina's organic products, for most which are vegetable based. Some of Argentina's cattle producers have certified their herds as organic. In terms of imported products, Argentina depends heavily on the EU, the US, and Brazil for manufactured and processed goods such as machinery and equipment, motor vehicles, chemical products, and plastics.

Argentina is having some difficulty competing in both domestic and export markets for its primary and processed commodities. Its producers need to invest in capital goods and intermediate inputs that will allow them to better compete on the world stage. Furthermore, to gain

ARGENTINA: WHEAT SUPPLY AND DISPOSITION

| December-November crop year | 1991 -1992 | 1999 -2000 | 2000 -2001 | 2001 -2002 |
|--------------------------------|---------------|---------------|---------------|---------------|
|million tonnes..... | | | | |
| Carry-in Stocks | 0.8 | 0.3 | 0.3 | 0.7 |
| Production | 9.9 | 15.7 | 16.5 | 15.7 |
| Total Supply* | 10.7 | 16.0 | 16.8 | 16.4 |
| Consumption | 4.6 | 4.1 | 4.4 | 4.4 |
| Exports | 5.8 | 11.6 | 11.7 | 11.5 |
| Total Use | 10.4 | 15.7 | 16.1 | 15.9 |
| Carry-out Stocks | 0.3 | 0.3 | 0.7 | 0.5 |

* includes imports

Source: WASDE, USDA, March 2002

access to new markets, Argentina opened leaving many of its businesses struggling its own markets to foreign competition, to keep their traditional and nearby customers.

Agricultural Trade with Canada

For the past three years, the value of Argentina's agricultural exports to Canada has exceeded the value of Canadian exports to Argentina by a factor of more than 10. In 2000-2001, Argentine exports to Canada were CAN\$121.7 million (M), versus CAN\$10.2M in Canadian exports to Argentina. Relations between the two countries are generally good, due in part to their memberships in the Cairns group, an organization of 18 countries committed to liberalizing agricultural trade among member nations. Canada and Argentina are also among the 34 countries of the Western Hemisphere currently involved in negotiations for the Free Trade Area of the Americas.

SITUATION

In Argentina, production of major grains and oilseeds has increased considerably during the past decade. The largest increase has been in oilseeds production, and this has been at the expense of those crops that do not provide comparable returns. Agribusiness industries have benefited from the relatively high returns for edible oils such as soyoil and sunflower-seed oil. The growing feed meal market has also contributed to those returns.

By comparison, the production of beef cattle has been relatively static. For the most part, any increases in beef slaughter, necessary to meet increased beef consumption, have been accomplished

through reductions in herd inventory rather than through increased cattle production. The exception is the number of dairy cattle which has increased significantly during the past decade.

Soybeans

Argentina's most important field crop is soybeans. Argentina is also the third largest soybean producer and exporter after the US and Brazil. In 2001-2002, individual shares of world soybean exports were as follows: US, 47%; Brazil, 30%; Argentina, 14%; other, 9%.

Soybeans continue to be a relatively low-cost crop for Argentine farmers, and the returns from soybean production exceed that of other field crops. For 2001-2002, the United States Department of Agriculture (USDA) estimates Argentina's soybean **production** at a record 28.7 Mt, up from the previous record of 27.5 Mt in 2000-2001. The increase is due largely to a record number of hectares harvested, estimated at 11 million hectares (Mha), also up from the previous year's record 10.3 Mha. Argentina's increased soybean production is partially due to higher yielding genetically modified (GM) varieties of soybeans. Currently, about 90% of Argentina's soybean crop is of the GM variety.

Since June 2001, Argentine soybean **exports** have benefited from a *de facto* "devaluation." Instead of being priced in US dollars, these exports have been priced on a combined average of the US dollar and the *Euro*, giving Argentine soybean exports the benefit of an effective devaluation of about 8%. Argentine exports are estimated at a record 8.4 Mt, up from the previous record of 7.4 Mt in 2000-2001.

Soybean **crushing** in Argentina has more than doubled during the past decade. The increase is due largely to the policy of taxing raw soybean exports while allowing rebates on meal and oil exports. **Soymeal** production is estimated at a record 15.5 Mt, up from the previous record of 14.9 Mt in 2000-2001. Domestic consumption of soymeal has been relatively flat for the last couple of years, but exports have increased considerably

and are estimated to hit a record high of 15.2 Mt in 2001-2002, making it the largest exporter of soymeal in the world. Similarly, its **soyoil** production is estimated at a record 3.6 Mt, and exports are estimated at a record 3.4 Mt.

Wheat

For 2001-2002, Argentina's wheat **production** is estimated at 15.7 Mt, matching the record set in 2000-2001. The increase in wheat production during the past decade has been due mostly to increased wheat yields, although seeded area has increased significantly during this same period.

Argentina is one of the five largest exporters of wheat in the world, but it does not compete directly with Canada in the premium market for high quality wheat. **Exports** have more than doubled during the past decade, peaking at 11.5 Mt in 2000-2001. Although Argentina exports wheat to North Africa, Eastern Europe, and the EU, the majority of its wheat is exported to Mercosur countries, particularly Brazil which depends heavily on bread wheat from Argentina.

Corn

Argentina is the sixth largest producer of corn in the world, and its production of corn peaked at 19.4 Mt in 1997-1998. Although this was due largely to a record yield of 6.1 tonnes per hectare, harvested area that year was 3.2 Mha, second only to the record 3.4 Mha harvested in 1996-1997. Argentina has been studying the use of GM corn, but has yet to approve its use. Having seen the effect of GM corn on US corn sales to the EU, the concern is that GM corn could jeopardize Argentine exports to customers in countries such as Spain and Portugal.

ARGENTINA: CORN SUPPLY AND DISPOSITION

| March-February crop year | 1991 -1992 | 1999 -2000 | 2000 -2001 | 2001 -2002 |
|-----------------------------|---------------|---------------|---------------|---------------|
|million tonnes..... | | | | |
| Carry-in Stocks | 0.4 | 0.7 | 0.5 | 0.5 |
| Production | 10.6 | 17.3 | 15.5 | 12.0 |
| Total Supply* | 11.0 | 18.0 | 16.0 | 12.5 |
| Consumption | 4.4 | 5.5 | 5.0 | 4.3 |
| Exports | 6.1 | 12.0 | 10.5 | 7.0 |
| Total Use | 10.5 | 17.5 | 15.5 | 11.8 |
| Carry-out Stocks | 0.5 | 0.5 | 0.5 | 0.7 |

* includes imports

Source: WASDE, USDA, March 2002

ARGENTINA: CATTLE SUPPLY AND DISPOSITION

| Calendar Year | 1992 | 2000 | 2001 | 2002 |
|--------------------------|------------------------|-------------|-------------|-------------|
| |million head..... | | | |
| Beginning Inventory* | 55.2 | 49.8 | 50.2 | 50.6 |
| Production | 14.4 | 14.6 | 14.4 | 14.7 |
| Imports | 0.0 | 0.1 | 0.0 | 0.0 |
| Total Supply | 69.6 | 64.5 | 64.6 | 65.3 |
| Slaughter | 11.9 | 13.2 | 13.0 | 13.3 |
| Loss | 2.2 | 1.1 | 1.0 | 1.0 |
| Total Use | 14.1 | 14.3 | 14.0 | 14.3 |
| Ending Inventory* | 55.5 | 50.2 | 50.6 | 51.0 |
| Dairy Cows Inventory | 2.1 | 2.5 | 2.5 | 2.5 |
| Beef Cows Inventory | 22.2 | 18.3 | 18.5 | 18.5 |

* includes dairy cows, beef cows, steers, heifers, bulls and calves.

Source: USDA, March 2002

OUTLOOK

Argentina's economic outlook continues to be clouded by its fiscal and monetary policies. Faced with a large foreign debt and high unemployment, its government has suspended debt payments and focussed on reviving an ailing economy. With the civil unrest, the economic crisis has turned into a political crisis as successive leaders struggle with high unemployment and ineffective policies. A major concern for policy makers is that the devaluation of the *peso*, which commenced when the currency was allowed to float in January 2002, will increase inflationary pressures.

While this model implies that a devaluation in the Argentine *peso* will exert some downward pressure on world prices for grains and oilseeds in the medium term, the impact of such pressure varies between commodities. The most significant price pressure under this model would be on **canola** and **soybeans**, due to Argentina's influence in the world oilseeds market. Any potential impact on Canadian **wheat** prices would be considerably less because Argentina does not have nearly the same influence on the world market for wheat as it has for soybeans. Similarly, for **coarse grains**, the effect on prices would be minimal due to Argentina's limited influence in international coarse grains markets.

For more information:
Stan Spak
Market Analyst
Phone: (204) 983-8467
E-mail: spaks@em.agr.ca

For 2001-2002, **production** is estimated at 12.0 Mt, down from 15.5 Mt the previous year due to poor weather conditions. In October, heavy rains in central Argentina delayed planting which caused farmers to adjust their seeding plans and this ultimately resulted in lower seeded area for corn. Soybeans have an advantage over corn because the crop requires fewer days to mature and planting can be delayed longer without fear of frost damage.

Argentina is the second largest exporter of corn in the world, but its **exports** have decreased almost steadily since peaking at 12.2 Mt in 1997-1998. For 2001-2002, Argentina's exports are estimated at 7.5 Mt, the second lowest level in seven years.

Livestock

Livestock production remains an important component of Argentina's agricultural sector. The number of **beef** cows in Argentina has gradually decreased from the peak of 22.3 Mhd in 1993-1994. For 2002, the USDA estimates the number of beef cattle at 18.5 Mhd, virtually unchanged from 2001. During the past decade, the number of **dairy** cows has increased steadily, peaking at 2.5 Mhd in 1998 and remaining at that level since then.

The impact of the devaluation on grain and oilseed exports is likely to be minimal in the short-term, because the associated economic instability is expected to hamper any increase in exports, and because the next crop which could be affected will not be harvested for about 10 months. The effect of the devaluation in the *peso* is also expected to be mitigated by the imposition of an export tax.

In the **medium-term**, Argentina's crisis could have implications for Canada's grains and oilseeds sector. With this in mind, Agriculture and Agri-Food Canada has undertaken a preliminary analysis of the Argentine situation using the Organization for Economic Co-operation and Development AgLink model.

Based on the results generated by the AgLink model, domestic prices for the major Argentine grains and oilseeds would increase with the devaluation of the *peso*. With higher domestic prices, domestic consumption would decrease. Farmers would increase production in response to higher "real" prices, but this impact would be somewhat offset by increased prices of imported inputs such as fuel, fertilizer and farm machinery. The resulting increase exportable supplies from Argentina would then pressure world prices, specifically in those commodity markets where Argentina exerts a significant influence.

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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PULSE CROPS IN THE MIDDLE EAST AND NORTH AFRICA

Exports of Canadian pulse crops (lentils, dry peas, chick peas, dry beans, and fababeans) to the Middle East and North Africa grew 792% over a 10 year period to reach 306,000 tonnes (t) in 2000. Although Canadian exports fell 44% to a modest 171,000 t. in 2001, they are expected to rebound. Canada's exports were valued at \$171.1 million in 2000, and \$91.6 million in 2001. Despite a growing population, domestic production in the Middle East and North Africa fell 24% between 1991 and 2001, partly as a result of a far-reaching drought. As a result, imports by this region increased 113% between 1990 and 2000, to reach over 1.0 million tonnes (Mt). This issue of the *Bi-weekly Bulletin* examines the demand for pulse crops in the Middle East and North Africa, and highlights Canada's exports to this region.

INTRODUCTION TO PULSES

Pulses are the edible dry seeds of leguminous plants. Pulse crops include **dry beans, dry peas, chick peas, broad beans** (which include **fababeans**), **lentils, pigeon peas, lupins, vetches** and **cow peas**.

Pulses are of special nutritional and economic importance due to their contribution to the diets of millions of people worldwide. They have a high protein content (two to three times higher than most cereals), are a valuable source of energy, and provide many essential minerals such as calcium and iron. The use of pulses as food is concentrated in developing countries, which account for about 90% of global human pulse consumption. Per capita consumption of pulses is also high among vegetarians, as a source of protein. In low income countries, pulses contribute about 10% of the daily protein and about 5% of the energy in the diets of people.

World Production and Trade

Pulse crops are grown throughout the world, but there is a concentration of production in India, China, Canada, Australia, Brazil, and Nigeria, which collectively accounted for 51% of the 51.5 Mt of pulse crops produced in 2001. Pulses are consumed on every continent, but import demand is driven by countries in the Middle East, North Africa, Latin America, and the Indian subcontinent. Canada is the leading exporting country, and

had 2.7 Mt of exports in 2000, or 32% of the world's 8.5 Mt trade. Imports are much more widely spread among trading countries, with Spain and India leading the importing nations. India is the leading import market for food pulses, while Spain's main import is feed peas.

MIDDLE EAST AND NORTH AFRICA

Geography

The area referred to as the Middle East and North Africa comprises the following countries: Afghanistan, Algeria, Bahrain, Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, Turkey, United Arab Emirates (UAE), and Yemen. Collectively, these countries occupy approximately 1.26 billion hectares, or 9% of the world's land. Only about 89 million hectares (Mha), or 7% is considered arable, and 460 Mha are used for agricultural purposes. Most of the countries are arid, and agricultural production is highly dependent upon rainfall.

Population

In 2000, there were 403 million

people, or 6.7% of the world population in this region. Only 12.3% of the region's population was employed in agriculture, as compared to 21.8% of the world's population. The population grew 25.5% since 1990, compared to the world growth rate of only 15.3%. Islam is the main religion in this region.

Economy

Over the last three years, the economic situations in the Middle East and North Africa have been shaped to a very large extent by sharp fluctuations in oil prices. The oil price collapse of 1998 severely depressed the economic prospects for many of the oil-exporting countries, and severe droughts, combined with a devastating earthquake in Turkey, reduced growth prospects for the non-oil-producing countries. The recovery of oil prices in 2000, however, has helped the

NUTRITIVE VALUE OF CERTAIN PULSE AND OTHER FOODS

| | CALORIES | CALCIUM | IRON | PROTEIN |
|--------------|----------|--------------------|------|---------|
| | /100g |mg/100 g..... | | % |
| Kidney Beans | 341 | 137 | 6.7 | 22.1 |
| Chick Peas | 358 | 149 | 7.2 | 20.1 |
| Lentils | 346 | 56 | 6.1 | 24.2 |
| Wheat Flour | 370 | 16 | 1.0 | 10.9 |
| Rice Flour | 360 | 10 | 0.9 | 6.7 |
| Beef | 198 | 11 | 2.3 | 19.0 |
| Eggs | 163 | 50 | 2.5 | 12.4 |
| Milk | 360 | 1,235 | 0.9 | 36.0 |

Source: FAO, 2001

Canada

region's economic forecast. In 1999, real gross domestic product (GDP) growth in the region was only 0.8%, but in 2000 it was estimated at 4.7% and is expected to be about 4.1% in 2001. The current crises in Afghanistan and Israel may dampen this growth, but offsetting support will be provided by a reduction in oil production, which should lead to higher oil prices.

Water Availability

Drought is a recurring phenomenon in the region and causes sharp annual fluctuations in crop production. Since 1999, yields have been reduced by a wide-reaching drought which covers Algeria, Libya, Morocco, Tunisia, Afghanistan, Iran, Iraq, Jordan, and Syria. Yields have also been reduced in Turkey and Yemen.

This region has 6.7% of the world's population, 6.5% of the world's arable land, 11.3% of its irrigated land, but only 1.5% of its renewable freshwater resources. The region relies heavily on surface and underground water, and agriculture is the main user of renewable freshwater. Persistent dryness over several years has pushed the use of irrigation to its limits. For example, two years of drought have nearly depleted Iraq's water reserves for irrigation purposes. Water levels in the two main rivers that feed the irrigation systems in that country are at their lowest levels since 1930.

Agricultural Production

The main crops produced in the Middle East and North Africa are forage crops such as clover and alfalfa, wheat, sugar beets, tomatoes, and sugar cane. Due to the many different climatic zones across the region, and within many of the individual countries, nearly all food stuffs, including cereals, oilseeds, pulses, fruits and vegetables, and nuts are produced. Many countries are self-sufficient in many crops.

Many **pulse crops**, including **lentils**, **chick peas**, and **dry peas** were first domesticated in the Middle East over 7000 years ago. Production of **pulse crops** in the Middle East and North Africa has fallen 24% over the past ten years, from 4.0 Mt in 1991 to 3.0 Mt in 2001, because of decreased yields due to a drought and substitution of other crops, especially in Turkey. Increased production in Syria, Yemen, Afghanistan, Lebanon and Libya was more than offset by decreased production in Turkey, Morocco and Iran. By crop, there was a 32% decrease in **chick pea** production, a 25% decrease in **broad bean** production, a 26% decrease in **lentil** production, and a 9% increase in **dry bean** production during the same time period. Production of **dry peas** fell 54% to 43,000 t, while production of **cow peas** decreased 28% to only 7,000 t. Production of **vetches**

remained stable, growing 1% to 228,000 t, while **lupin** production increased 93% to 19,000 t.

Agricultural Trade

The Middle East and North Africa region is a large net importer of agricultural commodities. Annually these countries import about US\$30 billion of agricultural goods, and export about US\$10 billion. In 2000, this region imported 7% of the world's agricultural products, but 18% of the world's pulse crops (based on value).

Imports of total pulse crops increased 113% between 1990 and 2000 to reach over 1.0 Mt. This increase in imports was led by Turkey, whose imports increased from 14,000 t in 1990 to 175,000 t in 2000. Imports also increased by more than 100% for Egypt, Morocco, Algeria, UAE, Yemen and Tunisia. Only a few countries, Iraq, Iran, Oman, and Bahrain, imported less pulse crops in 2000 than in 1990.

By crop, **lentils**, **broad beans**, **chick peas**, and **dry beans** were the most important imported pulse crops. Imports of each of these pulse crops increased between 1990 and 2000. Imports of **dry peas** increased 79% to 41,000 t. Limited amounts of **cow peas** are also imported by the region. It is possible that the data under represents actual imports by crop, as a couple of countries, UAE and Libya, specifically, do not report imports by crop, rather all imports are amalgamated under total pulses.

Between 1990 and 2000, imports of **lentils** increased 121% to 398,000 t. Increased imports by Turkey, Morocco, Algeria, Iran, Egypt, and Jordan more than offset decreased imports by Iraq. In 2000, Egypt and Turkey were the two largest importing nations of lentils in the world, while Canada and Turkey were the two largest exporting nations. In 2000, the Middle East and North Africa countries collectively imported 38% of the world's total lentil imports.

In this region, Turkey,

Egypt, Algeria, Morocco, and Saudi Arabia are the main importers of lentils. As Turkey's domestic production decreased, their imports increased to meet their re-export needs. Turkey, Egypt, and Saudi Arabia primarily import **red lentils**. Turkey and Egypt import whole lentils, as both countries have domestic processing facilities for splitting the lentils, while Saudi Arabia typically imports split lentils. Algeria mainly imports **large green lentils**, while Morocco and Egypt prefer **small green lentils**. Canada is an important supplier of lentils, but so are Australia, Turkey, and India.

Imports of **broad beans** increased by 837%, increasing from 24,000 t in 1990 to 228,000 t in 2000. Leading this gain were Egypt's imports, which increased from 500 t in 1990 to 172,000 t in 2000. Egypt and Italy were the two largest importing nations, while Australia, the United Kingdom (UK), and China were the largest exporting nations. In 2000, the Middle East and North Africa countries collectively imported 47.3% of world

MIDDLE EAST AND NORTH AFRICA: PULSE CROPS PRODUCTION

| | 1991 | 1998 | 1999 | 2000 | 2001p |
|-----------------------------------|---------------------------|--------------|--------------|--------------|--------------|
| |thousand tonnes..... | | | | |
| TOTAL PULSES ^{1/} | | | | | |
| Turkey | 1,972 | 1,580 | 1,409 | 1,389 | 1,389 |
| Egypt | 544 | 587 | 379 | 429 | 513 |
| Iran | 576 | 566 | 440 | 447 | 439 |
| Syria | 109 | 299 | 127 | 193 | 193 |
| Morocco | 457 | 272 | 169 | 127 | 162 |
| Other | 336 | 368 | 373 | 346 | 346 |
| Total ^{2/} | 3,994 | 3,672 | 2,897 | 2,931 | 3,042 |
| CHICK PEAS | | | | | |
| Turkey | 855 | 600 | 560 | 540 | 560* |
| Iran | 266 | 249 | 165 | 160 | 158 |
| Other | 198 | 255 | 161 | 181 | 179 |
| Total ^{2/} | 1,319 | 1,104 | 886 | 881 | 897 |
| BROAD BEANS | | | | | |
| Egypt | 466 | 523 | 307 | 354 | 439 |
| Morocco | 204 | 108 | 55 | 33 | 60 |
| Other | 188 | 159 | 159 | 146 | 148 |
| Total ^{2/} | 858 | 790 | 521 | 533 | 647 |
| LENTILS | | | | | |
| Turkey | 640 | 540 | 380 | 380 | 440* |
| Syria | 50 | 154 | 43 | 73 | 80* |
| Iran | 86 | 95 | 63 | 78 | 75 |
| Other | 83 | 56 | 37 | 37 | 37 |
| Total ^{2/} | 859 | 845 | 523 | 568 | 632 |
| DRY BEANS | | | | | |
| Turkey | 214 | 242 | 247 | 247 | 250* |
| Iran | 188 | 183 | 183 | 180 | 178 |
| Other | 57 | 64 | 68 | 73 | 73 |
| Total ^{2/} | 459 | 489 | 498 | 500 | 501 |

1/ includes broad beans, chick peas, cow peas, dry beans, dry peas, lentils, lupins, and vetches.

2/ includes Afghanistan, Algeria, Bahrain, Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Saudi Arabia, Syria, Tunisia, Turkey, and Yemen.

p: preliminary

Source: FAO except *, which is AAFC, February 2002

total broad bean imports. While Egypt is the largest importer of broad beans, Saudi Arabia and Morocco also import substantial quantities. Egypt imports **broad beans**, from Australia, Canada, China, the UK, and Syria, while Saudi Arabia imports broad beans from India, Canada, Syria, and UAE.

Chick pea imports increased by 26% from 1990 to 2000 to reach 118,000 t. A decrease in imports by Iraq was more than offset by increased imports by Turkey, Jordan, and Algeria. Australia, Mexico, and Canada were the largest exporting nations, while Pakistan, India, Spain, and Bangladesh led the imports. In 2000, the Middle East and North Africa countries collectively imported 20% of the world's total chick pea imports.

Most countries in the Middle East and North Africa import **kabuli** chick peas, which are grown in all chick pea producing countries, except for the Indian subcontinent and Australia, which tend to produce **desi** chick peas. A very popular dish in the Middle East, *hommus*, is produced from mashed chick peas mixed with oil and spices.

Dry bean imports increased by 91% from 1990 to 2000 to reach 100,000 t. Increased imports were led by Algeria, Morocco, Turkey, and Tunisia. China, Myanmar, and the United States were the largest exporters, while the UK and Japan were the largest importers. In total, the Middle East and North Africa countries collectively imported 6% of the world's total dry bean imports. **Great Northern** beans, or large white beans are very popular in North Africa and the Middle East, although smaller amounts of other types of beans are also imported.

in Egypt, Iran, UAE, and Kuwait. Canned products are produced under local or foreign labels and are exported internationally.

Muslims celebrate Ramadan during the ninth month of the lunar year. This holy period lasts for 30 days and is characterized by total abstinence from eating and drinking from dawn until dusk during the festival. Daytime fasting is accompanied by praying and reading of the Koran. After sunset, the daily fast is broken by feasting. The cornerstone of these meals are traditional dishes prepared with pulse crops. The holiday Eid al Fitr marks the end of the Ramadan season, and features large feasts.

Canadian Exports

Canada has shown the largest growth in pulse exports worldwide over the past 10 years, and is now playing a crucial supply role for many importing nations. **Seeded area** has grown 440% since 1991 to reach 2.8 Mha in 2001, while **total exports** grew 616% between 1990 and 2000 to reach 2.7 Mt. Dry peas, lentils and chick peas lead both these increases. In 2001, exports fell 6% to 2.6 Mt, primarily due to a decrease in lentil exports to Turkey.

During the same time period, **exports** to the Middle East and North Africa increased 792% to 306,437 t in 2000. Exports for 2001, however, are disappointing at 171,469 t, or 44% behind 2000. There was a large decrease in lentil imports by Turkey, as policy changes in Turkey made it less feasible to import large quantities of lentils for re-export to its trading partners. There was also a smaller decrease in dry pea imports by Algeria and Morocco. In 2000, Canadian sales of pulse crops to this region accounted for 11% of Canadian pulse exports, but 30% of the Middle East and North Africa pulse imports.

Constraints to Canadian Exports

While the Middle East and North Africa imported 18% of the world's imports in 2000, only 30% of that was of Canadian origin. Sales to most countries in this region are difficult due to numerous trade barriers, including import permits, labelling requirements, and trade agreements that exist with other countries, specifically the European Union (EU).

Due to the region's proximity to Europe, and the many trade agreements that exist, Canadian exports find great competition. Cyprus and Turkey have entered into customs unions with the EU and are preparing for EU membership. Free trade agreements have been made between the EU and Egypt, Israel, Jordan, Morocco, and Tunisia, while negotiations continue with Lebanon, Palestinian Authority, and Syria. Efforts to establish a Euro-Mediterranean

MIDDLE EAST AND NORTH AFRICA: PULSE CROPS IMPORTS

| | 1990 | 1997 | 1998 | 1999 | 2000 |
|-----------------------------------|---------------------------|------------|------------|------------|--------------|
| |thousand tonnes..... | | | | |
| TOTAL PULSES ^{1/} | | | | | |
| Egypt | 73 | 123 | 164 | 328 | 263 |
| Turkey | 14 | 136 | 155 | 88 | 175 |
| Algeria | 115 | 135 | 123 | 113 | 160 |
| UAE | 30 | 75 | 75 | 75 | 75 |
| Saudi Arabia | 50 | 67 | 57 | 65 | 65 |
| Other | 197 | 240 | 211 | 232 | 284 |
| Total ^{2/} | 479 | 776 | 785 | 901 | 1,022 |
| LENTILS | | | | | |
| Turkey | 0 | 81 | 79 | 65 | 141 |
| Egypt | 68 | 77 | 78 | 78 | 77 |
| Algeria | 47 | 44 | 49 | 58 | 72 |
| Morocco | 0 | 5 | 10 | 20 | 41 |
| Saudi Arabia | 14 | 19 | 18 | 14 | 14 |
| Other | 51 | 40 | 40 | 43 | 53 |
| Total ^{2/} | 180 | 266 | 274 | 278 | 398 |
| BROAD BEANS | | | | | |
| Egypt | 1 | 29 | 56 | 227 | 172 |
| Saudi Arabia | 17 | 19 | 7 | 26 | 26 |
| Morocco | 0 | 3 | 2 | 12 | 16 |
| Other | 6 | 19 | 15 | 13 | 14 |
| Total ^{2/} | 24 | 70 | 80 | 278 | 228 |
| CHICK PEAS | | | | | |
| Algeria | 28 | 40 | 27 | 20 | 37 |
| Tunisia | 4 | 20 | 18 | 19 | 18 |
| Jordan | 11 | 17 | 18 | 19 | 18 |
| Saudi Arabia | 11 | 18 | 20 | 12 | 12 |
| Other | 39 | 291 | 150 | 35 | 33 |
| Total ^{2/} | 93 | 386 | 233 | 105 | 118 |
| DRY BEANS | | | | | |
| Algeria | 19 | 35 | 33 | 19 | 37 |
| Morocco | 9 | 5 | 3 | 8 | 10 |
| Israel | 1 | 11 | 9 | 10 | 9 |
| Turkey | 13 | 43 | 48 | 12 | 5 |
| Other | 11 | 30 | 39 | 42 | 39 |
| Total ^{2/} | 53 | 124 | 132 | 91 | 100 |

1/ includes broad beans, chick peas, cow peas, dry beans, dry peas and lentils.

2/ includes Afghanistan, Algeria, Bahrain, Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, Turkey, UAE, and Yemen.

Source: FAO, February 2002

Consumption

The Middle East and North Africa is an extremely diversified market. Despite a growing population, aggregate consumption actually fell 1% between 1990 and 2000, to 3.7 Mt of total pulse crops. Part of this decrease can be explained by falling domestic production due to the persistent drought over the last few years.

Traditional Middle Eastern and North African cooking is based on grains, fresh vegetables, and pulses. For many people in this region, meat is a luxury and is only used in small amounts, cooked with vegetables, and served with or over rice. Therefore, pulse crops become a main dietary source of protein. Pulse crops are consumed in traditional dishes such as *hommus* (chick peas), *falafel* (chick peas), *ful* (fababeans and eggs), and soups made with lentils, chick peas or dry beans.

The canning sector uses about 12 to 15% of available pulse crops in the region. Major canners and exporters are based

partnership for the creation of a free trade area by 2010 are intensifying. There are also plans for the creation of an Arab Free Trade area.

OUTLOOK

Recent droughts in North Africa, the Middle East and the Indian subcontinent stimulated significant demand in heavy consumption markets, and may have led to abnormally high import levels. In 2001, there was a return to normal harvest in Turkey, and potentially there will be a drop in demand for imports.

Improved crop prospects in India, Turkey,

Iran, and Syria, combined with uncertain economic climates in many traditional buying regions such as Pakistan, Algeria, Egypt, and South America have impacted world demand at this time. Given the current state of political transition in Afghanistan, and global economic uncertainty, foreign currency may become a scarce commodity for many countries in this region. Without foreign currency, it may be difficult for some countries in this region to import goods, specifically food, from the western world.

On a more supportive note, food aid shipments to Afghanistan have included record amounts of dry beans and lentils. There could be more

food aid tenders to cope with scarcities stemming from disruptions in civil order, following two years of serious drought. It is unclear, however, if this will make up for the increased costs of doing business with Afghanistan and the surrounding region.

As well, it is expected that the Middle East and North Africa need to increase protein supply significantly over the next twenty years, due to an expanding population.

For the future, the US Senate's agriculture committee has proposed a version of a new Farm Bill, which includes support payments for dry peas, lentils and chick peas. Such subsidies, which never existed before for these crops, could invoke higher production of these crops in the US, increasing the competition faced by Canadian pulse crops. A decision by the US Congress concerning the final form of a new American Farm Bill is pending.

And finally, while there are debates concerning whether Ramadan results in more sales of pulse crops, it is certain that little business is done during this month. Thus, most shipments are usually accepted in the month prior to Ramadan, causing a spike in imports at that time. Last year

Ramadan began on November 16, but because the dates for the month of Ramadan are calculated on the basis of the shorter lunar year, the festival moves ahead by approximately 12 days on the Gregorian calendar each year. For many years, there has been sufficient time between the Canadian harvest and the start of the Ramadan season for Canadian exporters to make large sales during the peak buying period prior to Ramadan. This window of opportunity is closing, and in the near future, Ramadan will occur at the same time as the Canadian harvest, or even before the harvest, making these sales more difficult.

For more information:
Deanna Gower
Market Analyst
Phone: (204) 983-8474
E-mail: gowerd@em.agr.ca

CANADA: EXPORTS OF PULSE CROPS TO THE MIDDLE EAST AND NORTH AFRICA

| | 1991 | 1998 | 1999 | 2000 | 2001 |
|-----------------------------------|---------------------------|------------|------------|------------|------------|
| |thousand tonnes..... | | | | |
| TOTAL PULSES ^{1/} | | | | | |
| Algeria | 18 | 58 | 59 | 63 | 59 |
| Egypt | 5 | 17 | 22 | 30 | 27 |
| Morocco | 0 | 13 | 27 | 41 | 24 |
| Turkey | 0 | 14 | 44 | 113 | 17 |
| Other | 9 | 26 | 30 | 59 | 44 |
| Total ^{2/} | 32 | 128 | 182 | 306 | 171 |
| LENTILS | | | | | |
| Algeria | 10 | 48 | 51 | 44 | 38 |
| Egypt | 5 | 14 | 15 | 24 | 22 |
| Morocco | 0 | 9 | 20 | 33 | 21 |
| Turkey | 0 | 12 | 42 | 105 | 17 |
| Other | 3 | 13 | 15 | 31 | 18 |
| Total ^{2/} | 18 | 96 | 143 | 237 | 116 |
| DRY PEAS | | | | | |
| Algeria | 8 | 5 | 5 | 7 | 5 |
| UAE | 0 | 1 | 2 | 5 | 4 |
| Saudi Arabia | 0 | 3 | 3 | 3 | 3 |
| Morocco | 0 | 3 | 6 | 6 | 3 |
| Other | 6 | 7 | 4 | 7 | 5 |
| Total ^{2/} | 14 | 19 | 20 | 28 | 20 |
| CHICK PEAS | | | | | |
| Algeria | 0 | 0 | 1 | 9 | 7 |
| Egypt | 0 | 0 | 1 | 2 | 3 |
| Jordan | 0 | 0 | 0 | 1 | 3 |
| UAE | 0 | 1 | 1 | 6 | 2 |
| Other | 0 | 1 | 0 | 9 | 4 |
| Total ^{2/} | 0 | 2 | 3 | 27 | 19 |
| DRY BEANS | | | | | |
| Algeria | 0 | 5 | 3 | 3 | 9 |
| Saudi Arabia | 0 | 3 | 2 | 2 | 2 |
| Israel | 0 | 0 | 1 | 1 | 1 |
| Other | 0 | 4 | 3 | 5 | 1 |
| Total ^{2/} | 0 | 12 | 9 | 11 | 13 |

1/ includes broad beans, chick peas, cow peas, dry beans, dry peas and lentils.

2/ includes Afghanistan, Algeria, Bahrain, Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, Turkey, UAE, and Yemen.

Source: Statistics Canada, February 2002

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500-303 Main Street
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Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL- FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|-------------------|---------------------|----------------|------------|--------|------------|------------|----------------|---------------------|----------------|----------------|--------------|--------------|---------------|----------------|--------------|-----------------|-----------------|
| | | | | | | | | | | | | | | | | | |
| Vancouver | This week | FOB | 181.16 | N/A | 180.16 | 169.00 | | 329.50 | (7) 258.50 | 151.00 | 335.00 | (4) 880.00 | 450.00 | | | | 450.00 |
| B.C. | Week ago | | 183.16 | N/A | 183.16 | 173.50 | | 324.00 | (7) 261.50 | 151.00 | 330.00 | (4) 880.00 | 450.00 | | | | 450.00 |
| Calgary | This week | FOB | 158.00 | N/A | 157.00 | 158.00 | | 321.00 | N/A | | 295.00 | (4) 930.00 | 485.00 | | | | 440.00 |
| Alta | Week ago | | 160.00 | N/A | 160.00 | 159.00 | | 316.50 | N/A | | 290.00 | (4) 930.00 | 485.00 | | | | 440.00 |
| Saskatoon | This week | FOB | 156.00 | 265.00 | 141.50 | 153.00 | | 316.00 | 236.00 | | 295.00 | (4) N/A | 485.00 | | 189.33 | | 470.00 |
| Sask. | Week ago | | 157.50 | 262.50 | 145.00 | 153.00 | | 310.50 | 240.00 | | 290.00 | (4) N/A | 485.00 | | 196.67 | | 470.00 |
| Melfort | This week | FOB | 158.60 | 280.57 | 141.40 | | | | | | | | | | | | |
| Sask. | Week ago | | 159.70 | 285.53 | 143.80 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 165.00 | 241.09 | 145.62 | 143.00 | | 301.00 | 226.00 | | 300.00 | (4) 875.00 | 420.00 | | | | 415.00 |
| Man. | Week ago | | 164.00 | 243.27 | 146.75 | 143.00 | | 293.50 | 230.00 | | 300.00 | (4) 825.00 | 420.00 | | | | 415.00 |
| Thunder Bay | This week | In-store | 163.60 | 301.43 | (8) 150.40 | | | | | | | | | | | | |
| Ont. | Week ago | | (8) 145.70 | N/A | (8) 152.80 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 128.33 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 129.70 | | | | | | | | | | | |
| Bay Ports | This week | In-store | 182.60 | 320.00 | N/A | | | | | | | | | | | | |
| Ont. | Week ago | | 185.20 | 320.00 | N/A | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 137.30 | | | | | | | | | | | |
| Ont. | Week ago | | | | | 136.90 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 309.00 | (5) N/A | 430.00 | 425.00 | 132.00 | 270.00 | 350.00 |
| Ont. | Week ago | | | | | | | | | | 292.00 | (5) N/A | 430.00 | 425.00 | 132.00 | 270.00 | 350.00 |
| Hamilton | This week | N/A | | | | | FOB | 299.27 | N/A | | | | | | | | |
| Ont. | Week ago | | | | | | | 300.60 | N/A | | | | | | | | |
| Eastern | This week | FOB | | | | 137.50 | | | | | | | | | | | |
| Ontario | Week ago | | | | | 139.00 | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | 415.00 | 124.00 | | |
| Ont. | Week ago | | | | | | | | | | | | | 415.00 | 124.00 | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | 415.00 | 124.00 | | |
| Ont. | Week ago | | | | | | | | | 106.50 | | | | 415.00 | 124.00 | | |
| Cardinal | This week | FOB | | | | | | | | 101.50 | | | | 415.00 | 124.00 | | |
| Ont. | Week ago | | | | | | | | | | | | | 415.00 | 124.00 | | |
| Montreal | This week | | | | | | FOB | 314.88 | 276.75 | 133.00 | 312.00 | (5) 795.00 | 287.00 | 425.00 | 134.00 | 240.00 | 370.00 |
| Que. | Week ago | | | | | | | 316.28 | 277.10 | 127.67 | 295.00 | (5) 795.00 | 281.00 | 425.00 | 134.00 | 240.00 | 360.00 |
| Trois-Riv. | This week | In-store | 192.60 | | 185.40 | 149.50 | | | | | | | | | | | |
| Que. | Week ago | | 195.70 | | 187.80 | 149.89 | | | | | | | | | | | |
| St-Jean Que. | This week | FOB | 173.80 | 217.33 | 164.80 | (2) 143.59 | | | | | | | | | | | |
| St-Hyacinthe,Que. | Week ago | | 172.85 | 203.33 | 168.75 | (2) 142.02 | | | | | | | | | | | |
| Quebec | This week | In-store | 193.60 | | 181.73 | 152.45 | FOB | 311.99 | | | | | | | | | |
| Que. | Week ago | | 196.70 | | 184.03 | 152.85 | | 313.09 | | | | | | | | | |
| Truro | This week | Track | 223.35 | 250.87 | 208.92 | 180.74 | FOB | 340.78 | 285.42 | | 346.78 | | 400.00 | | | | 370.00 |
| N.S. | Week ago | | 226.22 | 242.97 | 212.82 | 184.01 | | 339.23 | 286.19 | | 330.28 | | 400.00 | | | | 360.00 |
| Truro | This week | Water | N/A | N/A | N/A | 176.80 | | | | | | | | | | | |
| N.S. | Week ago | & Truck | N/A | N/A | N/A | 177.45 | | | | | | | | | | | |
| Halifax | This week | In-store | N/A | N/A | N/A | 167.80 | FOB | | | 279.75 | | (5) 750.00 | | | | | |
| N.S. | Week ago | | N/A | N/A | N/A | 168.45 | | | | 279.75 | | (5) 750.00 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5852 as of March 25, 2002
Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars, per metric tonne. Grain grades are Western or Eastern Feed Wheat. No. 1 Feed Oats. No. 1 Canada Western or Eastern Barley. No. 2 Canada Yellow Corn. No. 3 US Yellow Corn unless otherwise specified.
 Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley (8) Futures WCE

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday March 25, 2002

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|----------------------|--------------------------|--------|-----------|----------|-----|-----------|----------|
| From: Thunder Bay 2 | In-Store | WHEAT | 167.60 | 169.70 | | 174.00 | 132.50 |
| | | OATS | 301.43 | N/A | | N/A | 114.81 |
| | | BARLEY | 155.30 | 157.00 | | 158.20 | 123.10 |
| To: Bayports, Ont. | In-store | WHEAT | 196.72 | 198.82 | 1. | 201.11 | 161.62 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 189.34 | 191.04 | 1. | 189.94 | 157.14 |
| Montreal, Que. | In-store | WHEAT | 201.79 | 203.89 | 1. | 206.08 | 166.69 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 195.64 | 197.34 | 1. | 195.85 | 163.44 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 224.16 | 226.26 | | 228.48 | 189.06 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 221.11 | 222.81 | | 221.62 | 188.91 |
| Truro, N.S. | Truck via Halifax | WHEAT | 221.66 | 223.76 | | 225.98 | 186.56 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 216.23 | 217.93 | | 216.74 | 184.03 |
| Halifax, N.S. | In-store | WHEAT | 208.99 | 211.09 | 1. | 213.31 | 173.89 |
| | | OATS | N/A | N/A | 1.0 | N/A | N/A |
| | | BARLEY | 202.56 | 204.26 | 1.0 | 203.06 | 170.36 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 262.53 | 264.63 | | 268.93 | 227.43 |
| | | OATS | 407.63 | N/A | | N/A | 221.01 |
| | | BARLEY | 262.44 | 264.14 | | 265.34 | 230.24 |
| From: Melfort, Sask. | FOB | WHEAT | 158.60 | 159.70 | | 164.00 | 124.50 |
| | | OATS | 280.57 | 285.53 | | 280.52 | 97.70 |
| | | BARLEY | 141.40 | 143.80 | | 149.00 | 119.10 |
| To: Bayports, Ont. | Track | WHEAT | 207.75 | 208.85 | | 213.15 | 180.62 |
| | | OATS | 337.46 | 342.42 | | 337.41 | 156.57 |
| | | BARLEY | 191.10 | 193.50 | | 198.70 | 172.49 |
| Montreal, Que. | Track | WHEAT | 208.51 | 209.61 | | 213.91 | 181.37 |
| | | OATS | 341.18 | 346.14 | | 341.13 | 157.47 |
| | | BARLEY | 191.92 | 194.32 | | 199.52 | 173.31 |
| Moncton, N.B. | Track | WHEAT | 236.79 | 237.89 | | 242.19 | 202.55 |
| | | OATS | 365.46 | 370.42 | | 365.41 | 180.81 |
| | | BARLEY | N/A | N/A | | N/A | 185.42 |
| Truro, N.S. | Track | WHEAT | 234.98 | 236.08 | | 240.38 | 202.72 |
| | | OATS | 366.47 | 371.43 | | 366.42 | 181.78 |
| | | BARLEY | N/A | N/A | | N/A | 199.04 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 282.04 | 283.14 | | 287.44 | 246.06 |
| | | OATS | 415.75 | 420.71 | | 415.70 | 229.16 |
| | | BARLEY | N/A | N/A | | N/A | 247.33 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|-----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 128.33 | 129.70 | | 130.08 | 125.80 |
| To: Montreal, Que. (US Corn) | In-store | | 153.87 | 155.24 | 1.0 | 153.41 | 151.34 |
| From: Chicago (Mi) | Track | | 130.82 | 132.20 | | 133.85 | 113.47 |
| To: Montreal, Que. (US Corn) | Track | | 159.85 | 161.23 | | 162.88 | 141.01 |
| From: Chatham | Track | | 137.30 | 136.90 | | 135.13 | 133.46 |
| To: Montreal, Que. | Track | | 160.68 | 160.28 | | 158.51 | 156.35 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|----------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 299.27 | 300.60 | | 292.11 | 288.91 |
| To: Montreal, Que. | Track | | 323.69 | 325.02 | | 316.53 | 311.38 |
| Moncton, N.B. | Track | | 346.90 | 348.23 | | 339.74 | 328.69 |
| Truro, N.S. | Track | | 345.73 | 347.06 | | 338.57 | 331.66 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 394.53 | 395.86 | | 387.37 | 380.92 |

n/a = not available

- Prices include FOUR month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
 Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Agriculture and
Agri-Food Canada

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Publications

Bi-weekly Bulletin

April 5, 2002 Volume 15 Number 6

CANADA: AREA SEEDED FOR 2002-2003

Expected net returns, derived from projected prices, yields, and variable costs of production, exert a major influence on seeding decisions. However, soil moisture conditions, expected delivery opportunities, cash flow, crop rotation requirements, potential disease and pest problems, and on-farm stocks are also very important factors that are taken into consideration. In Canada, area seeded for 2002-2003 is expected to shift from spring wheat, soybeans, chickpeas, lentils, and summerfallow to durum, oats, barley, corn, canola, dry beans, dry peas, mustard seed and canary seed. This issue of the *Bi-weekly Bulletin* examines the returns and expected area seeded for grains, oilseeds, pulses and special crops in Canada.

Expected returns are one of the most important factors affecting cropping decisions. Returns, net of variable or operating costs, affect short-term cropping decisions, while returns, net of total costs (fixed and variable), influence long-term decisions, such as rotation patterns and entry into, or exit from the industry. Variable costs change with the type of crop grown while fixed costs vary little if any with the type of crop. **It should be emphasized that the net returns shown in the crop budgets do not represent the profitability of growing a crop since other costs must also be accounted for.** Fixed costs such as land rental, property taxes, hired labour and machinery depreciation, as well as the value of a farmer's own labour, are not included.

As each province's agriculture department uses a different methodology, the crop budgets are not comparable across provinces. Saskatchewan Agriculture and Food provides crop budgets for crops seeded to fallow and stubble land in the brown, dark brown and black soil zones. Alberta Agriculture, Food and Rural

Development (AAFRD) provides budgets for crops seeded to fallow and stubble in the brown, and dark-brown soil zones. For the black and gray soil zones, AAFRD provides budgets for only the crops seeded to stubble. Manitoba Agriculture provides average crop budgets which do not differentiate between fallow and stubble as most Manitoba crops are grown on stubble. The Ontario Ministry of Agriculture Food and Rural Affairs provides average crop budgets.

SOIL ZONES

Productivity in western Canada is dependant on soil type. For example, the brown soil in the semi-arid region of the Prairies is subject to wide variations in crop yields and is more subject to drought than the dark-brown soil zone. The black soil zone is located in a higher moisture region and has better moisture retention characteristics than the brown soil zone, resulting in higher average yields. This zone is rarely subject to drought. The gray soil zone, extending into the northern regions of the Prairies, is characterized by higher

moisture levels, cooler temperatures, and a shorter growing season. Climatic conditions also influence the susceptibility of crops to disease and

CANADA: AREA SEEDED

| | 2001'000 ha..... | 2002f Change % |
|----------------------|---------------------------|-------------------------|
| Durum | 2,242 | 2,670 19.1% |
| Wheat ex. Durum | 9,284 | 7,943 -14.4% |
| All Wheat | 11,526 | 10,613 -7.9% |
| Barley | 5,016 | 5,431 8.3% |
| Corn | 1,256 | 1,292 2.9% |
| Oats | 2,004 | 2,245 12.0% |
| Rye | 174 | 158 -9.5% |
| Mixed Grain | 289 | 288 -0.3% |
| Coarse Grains | 8,739 | 9,414 7.7% |
| Canola | 3,957 | 4,156 5.0% |
| Flaxseed | 663 | 687 3.6% |
| Soybeans | 1,042 | 990 -4.9% |
| Oilseeds | 5,661 | 5,833 3.0% |
| Dry Peas | 1,452 | 1,538 5.9% |
| White Pea Beans | 67 | 94 39.7% |
| Coloured Beans | 91 | 113 24.2% |
| Lentils | 732 | 659 -9.9% |
| Mustard Seed | 137 | 260 90.2% |
| Sunflower Seed | 68 | 77 13.9% |
| Canary Seed | 148 | 236 59.8% |
| Chick Peas | 502 | 426 -15.1% |
| Buckwheat | 13 | 15 10.5% |
| Special Crops | 3,209 | 3,418 6.5% |
| Summerfallow | 4,751 | 4,420 -7.0% |

Numbers may not add due to rounding.

f: forecast, AAFC, April 2002

Source: Statistics Canada

Canada

pest infestations, requiring different combinations and levels of herbicides and pesticides.

PRICE FORECASTS

Average farm prices by province have been forecast by Agriculture and Agri-Food Canada (AAFC). Price forecasts for wheat (except Ontario), durum, and malting barley are based on the Canadian Wheat Board (CWB)'s March 2002-2003 Pool Return Outlook (PRO), and AAFC's assumption that the port-to-farm basis will be similar to 2001-2002. In Ontario, wheat prices are based on the Ontario Wheat Producers' Marketing Board's March PRO. Price forecasts can vary considerably as a result of unusual weather in the major importing or exporting countries, and other changes in market conditions.

YIELD FORECASTS

Average provincial yields have been forecast by AAFC, using trend analysis and have been forecast slightly below trend. Adjustments for soil zone are based on historical data from Statistics Canada. Adjustments to a 'stubble' basis were based on provincial data. Actual yields can vary greatly due to factors such as weather, disease, pests or input use.

For 2002-2003, AAFC has slightly reduced average expected yields to account for the persistent dryness that exists in the western prairies. For the 2002 growing season, yields will be exceptionally dependant upon timely rains as subsoil moisture conditions are well below normal levels and in some cases at record low levels.

The areas of most concern are almost all of Alberta and a large portion of central and western Saskatchewan. To-date the drought area appears to have expanded compared to the drought area identified last fall. Precipitation from September 1, 2001, to-date has been

mostly 40-60% of average levels. However, it should be noted that it is still relatively early and prospects could improve, should the western prairies receive abundant and timely rains in spring.

EXPENSES

Fertilizer Costs

Natural gas is the primary raw material required for the production of ammonia, which is the foundation for virtually all forms of nitrogen fertilizer. The average North American plant requires about 33.5 million British thermal units (MBtu) to produce 1 tonne (t) of ammonia. Natural gas costs are currently about US\$3.30/MBtu compared with about US\$5.00/MBtu in 2001. With natural gas priced at about US\$3.3/MBtu, 1t of nitrogen fertilizer will cost about US\$136 to produce {33.5 MBtu x \$3.30 + \$25 (fixed cost)}.

Fertilizer prices in 2002 are expected to be well below last year's prices as a result of lower natural gas prices and an abundance of supplies due to weak demand in 2001. Above seasonal winter temperatures in North America have ensured abundant supplies. A higher than expected increase in area seeded to corn in the United States (US) and the return by China to the nitrogen import market, largely absent since 1997, may pressure prices slightly. While fertilizer input costs are a significant factor in seeding decisions, for 2002 fertilizer costs will be less of a factor than in 2001. For 2002, seeding intentions may be affected more by soil moisture conditions, particularly in western Canada.

Farm Fuel

Farm fuel prices are expected to be slightly less in 2002 compared to 2001. In late 2001, lower prices resulted from large global oil stocks and reduced North American demand driven by a slower US economy. Over the past several months, oil prices have rebounded to over US\$25/barrel from below US\$20/barrel. Prices in the later half of 2002 may rise

particularly if the US economy rebounds significantly and the reduced oil output by the Oil Producing Export Countries (OPEC) continues to effectively reduce global supplies.

Herbicides and Pesticides

Herbicide use in 2002 will vary greatly depending on the crop seeded and by the growing conditions. For the majority of crops, use is expected to rise modestly. Prices are expected to increase between 1-3%, however, prices will be influenced by weather conditions which will promote more or less use of these chemicals.

In localized areas of western Canada higher levels of pesticide will be used to combat grasshoppers, especially if conditions remain dry. Therefore, expected increases in grasshopper populations in 2002, increases the likelihood that the economic thresholds for spraying crops will be met. Economic thresholds vary from crop to crop and with various crop stages. In general, for cereal crops it will be financially beneficial to spray when eight or more grasshoppers per square metre (/m²) are present. For crops such as lentils, as few as 2 /m² during emergence or the critical podding stage is enough to require control.

Seed

Seed costs in 2002 are expected to increase on average by about 2%. Corn and spring wheat seed costs are expected to decrease, while the majority of all other seeds are expected to increase.

Crop Insurance

Crop insurance costs in 2002 will vary depending on province and crop seeded. In Ontario, costs will increase significantly for corn, soybeans and white pea beans. In Manitoba, small green lentils and dry peas will have significant decreases. In the Saskatchewan black soil zone, crop insurance costs will increase modestly, except for dry peas which are expected to decrease

modestly. Insurance costs in the Saskatchewan brown soil zone are expected to increase except for desi chick peas and large green lentils. In the black soil zone of Alberta, insurance costs are expected to increase significantly for all crops, while in the brown soil zone costs are expected to increase significantly except for canola and the cereal crops which are expected to decrease.

CROP BUDGETS

There are significant differences in the variable costs between provinces and soil zones. A high percentage of the variation between provinces is due to seed (including treatment) costs, and the costs of fertilizer and pesticides. Comparing budgets across the provinces, custom work costs for western Canada have been included in the chemical costs, while for Ontario, custom work costs have been added to chemical and fertilizer costs. The 'other' cost category is used to assign a value to overhead expenses such as utilities. In Ontario, other costs include marketing fees and drying. The cost of management and/or owner/operator labour has not been included in the budgets.

In **Manitoba**, the highest projected net return is for oats, followed closely by canola, dry peas, and flaxseed. Net returns are forecast to be the lowest for small green lentils due to a combination of higher chemical costs and lower expected prices in 2002-2003.

In the **Saskatchewan brown soil zone**, the highest projected net return is for desi chick peas, but the increase in area seeded to this crop will be limited due to higher production risks. The projected net returns for yellow mustard and durum wheat are also expected to be relatively high. Expected net returns for large green lentils and large kabuli chick peas are expected to be the lowest. For both the large kabuli chick peas and large green lentils a combination of

lower prices and higher costs will lower their expected net returns. In the **black soil zone**, malting barley is expected to provide the highest potential net return, followed by canola, feed barley, spring wheat, oats, flaxseed and dry peas.

In the **Alberta brown soil zone**, the potential net return for large kabuli chick peas is the highest. For the large kabuli chick peas, area seeded will be limited due to higher production risks. The next highest prospects for net returns are for canola, large green lentils, durum, feed barley and spring wheat. In the **black soil zone**, lower variable costs and higher yields for Canada Prairie Spring (CPS) wheat will by far provide the highest net return. Spring wheat, dry peas, Argentine canola, feed barley and oats are expected to have more modest net returns.

In **Ontario**, white pea beans are expected to have the highest net return due to strong prices. Net returns from soybeans and soft white winter wheat are expected to exceed the returns for corn. Returns for hard red winter wheat are expected to be modest. Feed barley returns are expected to be low, however most of this crop is used for on farm feeding so that market price is less of a factor in planting decisions.

AREA SHIFTS

Area seeded in western Canada is forecast to shift into durum wheat, oats, barley, canola, flaxseed and most pulse and special crops due to higher expected relative net returns. The areas of spring wheat, chick peas, lentils and summerfallow are expected to decline. In eastern Canada, area seeded is expected to shift out of soybeans and into corn and dry beans.

Western Canada

In western Canada, **all wheat** area is forecast to decrease. **Spring wheat** area is forecast to fall considerably to 7.40 million hectares (Mha) in 2002 from 8.74 Mha largely due to relatively lower expected net returns in 2001. Area

seeded to **durum** is expected to increase significantly to 2.67 Mha due to strong prices expected in the current crop year and relatively strong returns anticipated for 2002-2003 in comparison to spring wheat prices. For 2001-2002 carry-out stocks are forecast to fall to a relatively low 1.20 million tonnes (Mt). The CWB PRO indicates that the price premium of No.1 Canada Western Amber Durum (CWAD) 12.5% protein, compared to No.1 Canada Western Red Spring (CWRS) 12.5% protein, is forecast to narrow to \$39 per tonne (/t) in store Vancouver or St. Lawrence in 2002-2003, versus \$51/t for 2001-2002.

Area seeded to **barley** in western Canada is forecast to increase substantially from 2001, to 5.10 Mha, due to good prices driven by strong domestic demand from a growing livestock sector, its role as a good cash crop, and relatively good returns from malting barley. Carry-out stocks and exports are expected to increase significantly due to larger supplies. Domestic feed barley prices are expected to be pressured and are forecast to decline significantly due to the increased supplies. The premium for two-row malting barley over six-row is expected to decrease slightly primarily due to increased Canadian supplies, as well as increased European Union (EU) production and continued strong competition from Australia. Area seeded to **oats** in western Canada is projected to increase significantly to 2.11 Mha, as current prices have been very good and have sparked interest in the crop.

Canola prices are forecast to fall from 2001-2002 due to the continued burdensome world soybean, soy oil and palm oil supplies. However, due to low carry-out stocks in 2001-2002, canola is expected to price at premium over other oilseeds. Improved net returns, primarily as a result of lower fertilizer and fuel costs are expected to contribute to a modest area shift into canola. In western Canada, canola area is projected to increase by 5% to 4.14 Mha.

Flaxseed area is forecast to increase by about 4% to 0.69 Mha in 2002 due to strong prices and relatively good projected net returns. Exports are expected to rise by 15%, primarily as a result of increased demand from the EU. Prices for flaxseed are expected to strengthen as a result of lower carry-out stocks expected for 2002-2003.

In western Canada, area seeded to **pulse and special crops** in 2002 is expected to increase by about 6% to 3.34 Mha. Areas seeded to **mustard seed** and **canary seed** are forecast to increase by 90% and 60% respectively. The increase in **mustard seed** area can be attributed to very high prices in 2001-2002. Production of both yellow and brown types are expected to increase sharply with prices declining sharply in 2002-2003 compared to current prices. **Canary seed** area is expected to increase due to exceptionally high prices being received in 2001-2002. For 2002-2003 prices are expected to fall by about 40%, due to increased production but are expected to remain relatively high. **Dry pea** area is expected to increase by almost 6% due to low carry-out stocks and good prices in 2001-2002. In 2002-2003 the average price is forecast to decrease by about 15%. **Chick pea** area is forecast to decline by about 15%, with a shift to the desi type due to lower prices received for the kabuli types. Prices for 2002-2003 are expected to decrease slightly for the desi and small kabuli types. The area seeded to **lentils** is expected to drop by about 10%. Lentil prices are expected to decrease slightly from 2001-2002 levels.

Summerfallow area has been steadily declining since 1988, reaching a low of 4.69 Mha in 2000, because new technology, especially herbicide, has allowed for increased stubble cropping. Also the increased availability of alternative crops, some of which are nitrogen-fixing, and the use of crop

rotation, has decreased the producers' reliance on summerfallow. Summerfallow area in 2002 is expected reach a new record low of 4.42 Mha. However, if conditions in the spring are excessively dry, summerfallow area could significantly increase. With low prices and high input costs, many farmers, especially in southern Saskatchewan, will not risk seeding a crop into stubble land if there is little moisture. Current moisture conditions in Alberta, and western and central Saskatchewan range between 40 and 60% below average. Seeded area could be significantly reduced should this condition persist until seeding.

Ontario

Area seeded to **winter wheat** in the fall of 2001 is estimated by Statistics Canada to be unchanged from 2000 at 0.24 Mha. A wet fall and a late soybean harvest has limited an increase in winter wheat seeded area. Expected net returns for soft white winter wheat is lower than for crops such as white pea beans and soybeans, but slightly higher than grain corn. Winter wheat is a rotation crop and a source of cash during the summer for many Ontario farmers, with seeded area largely dependent on fall seeding conditions.

Corn seeded area is expected to increase a modest 2% to 0.81 Mha in 2002. Lower fertilizer, and drying costs compared to 2001, are expected to encourage a slightly higher seeded area. Higher production is forecast as a result of improved yields and a larger seeded area, and average prices in 2002-2003 are expected to decline slightly to 125 CAN\$/tonne (no. 2 CE cash in store, Chatham).

Area seeded to **soybeans** in Ontario is expected to decrease by 4% to 0.84 Mha due to a rotation into corn and special crops. Net returns for soybeans are forecast to continue to provide a consistently higher net return compared to corn for the sixth straight year. Despite high returns for soybeans, producers are expected to shift some areas out of

soybeans due to production and harvesting problems experienced in the last two years.

Good prices and a high expected net return are expected to increase the area seeded to **white pea beans** by almost 75%. However area seeded to white pea beans is relatively small due to the higher risk associated with production and will only translate into an area of 39,000 hectare (ha) compared with 22,300 ha the previous year. **Coloured bean** area is expected to increase to 27,000 ha, compared with 22,300 ha in 2001-2002.

For more information, please contact:

Sergio Novelli

Market Analyst

Phone: (204) 983-6865

E-mail: novellis@em.agr.ca

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Telephone: (204) 983-8473
Fax: (204) 983-5524**

**Director: Maggie Liu
Chief: Fred Oleson**

Editor: Gordon MacMichael

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Bi-weekly Bulletin (Insert)

April 5, 2002 Volume 15 Number 6

CANADA: AREA SEEDED 2002-2003

CROP BUDGETS

MANITOBA

| | Spring Wheat | Feed Barley ^{4/} | Canola | Flaxseed | Oats | Sm. Grn. Lentils | Dry Peas |
|--|-----------------|------------------------------|---------------|---------------|---------------|---------------------|---------------|
| Variable Costs ^{1/} | | | | | | | |
| Seed (inc. treatment) | 31.92 | 23.50 | 43.02 | 24.75 | 34.54 | 31.95 | 67.20 |
| Fertilizer | 59.76 | 59.76 | 73.27 | 52.53 | 55.59 | 40.27 | 37.57 |
| Chemical | 76.60 | 51.89 | 121.69 | 54.36 | 14.83 | 185.94 | 49.42 |
| Fuel | 27.18 | 27.18 | 27.18 | 27.18 | 27.18 | 29.65 | 32.12 |
| Repairs | 24.71 | 24.71 | 24.71 | 24.71 | 24.71 | 27.18 | 25.95 |
| Crop Insurance | 13.44 | 10.97 | 18.66 | 11.84 | 12.23 | 16.16 | 11.66 |
| Interest | 8.01 | 6.94 | 10.26 | 6.86 | 6.07 | 10.94 | 7.76 |
| Other | 18.53 | 18.53 | 18.53 | 18.53 | 18.53 | 18.53 | 19.77 |
| Total Variable Costs | 260.15 | 223.48 | 337.32 | 220.76 | 193.68 | 360.62 | 251.45 |
| Projected Returns ^{2/} | 2 CWRS* | 1 CW | 1 CAN | 1 CW | 3 CW | 2 CAN | 2 CAN |
| Projected Yield (t/ha) | 2.43 | 3.30 | 1.60 | 1.35 | 2.73 | 1.35 | 2.40 |
| Projected Price (\$/t) | 162.00 | 105.00 | 310.00 | 275.00 | 130.00 | 265.00 | 170.00 |
| Projected Revenue (\$/ha) | 393.66 | 346.50 | 496.00 | 371.25 | 354.90 | 357.75 | 408.00 |
| Net Return (\$/ha) | 133.51 | 123.02 | 158.68 | 150.49 | 161.22 | -2.87 | 156.55 |

SASKATCHEWAN: Brown Soil Zone - conventional seeded stubble

| | Spring Wheat | Durum Wheat | Feed Barley ^{4/} | Lg. Grn. Lentils | Yellow Mustard | Lg. Kabuli Chick Peas | Desi Chick Peas |
|--|-----------------|----------------|------------------------------|---------------------|-------------------|--------------------------|--------------------|
| Variable Costs ^{3/} | | | | | | | |
| Seed (inc. treatment) | 16.33 | 21.91 | 14.94 | 51.13 | 35.57 | 226.01 | 75.09 |
| Fertilizer | 40.76 | 40.76 | 40.76 | 18.67 | 46.44 | 18.67 | 18.67 |
| Chemicals | 45.94 | 46.66 | 42.24 | 94.45 | 49.10 | 132.61 | 75.71 |
| Fuel | 20.75 | 20.75 | 20.75 | 22.82 | 21.79 | 22.82 | 22.82 |
| Repairs | 14.82 | 14.82 | 14.82 | 25.94 | 14.82 | 22.23 | 22.23 |
| Crop Insurance | 4.03 | 3.75 | 4.99 | 14.00 | 6.08 | 28.82 | 15.14 |
| Interest | 3.93 | 4.10 | 3.83 | 6.25 | 4.74 | 12.03 | 6.22 |
| Other | 7.16 | 7.16 | 7.16 | 10.60 | 7.16 | 7.16 | 7.16 |
| Total Variable Costs | 153.71 | 159.91 | 149.48 | 243.86 | 185.69 | 470.36 | 243.05 |
| Projected Returns ^{2/} | 1 CWRS* | 1 CWAD* | 1 CW | 1 CAN | 1 CAN | 2 CW | 2 CW |
| Projected Yield (t/ha) | 1.60 | 1.60 | 1.97 | 0.90 | 0.76 | 1.10 | 1.35 |
| Projected Price (\$/t) | 164.00 | 195.00 | 115.00 | 350.00 | 465.00 | 470.00 | 310.00 |
| Projected Revenue (\$/ha) | 262.40 | 312.00 | 226.55 | 315.00 | 353.40 | 517.00 | 418.50 |
| Net Return (\$/ha) | 108.69 | 152.09 | 77.07 | 71.14 | 167.71 | 46.64 | 175.45 |

SASKATCHEWAN: Black Soil Zone - conventional seeded stubble

| | Spring Wheat | 2R Malting Barley | Feed Barley ^{4/} | Oats | Dry Peas | Flaxseed | Canola |
|--|-----------------|----------------------|------------------------------|---------------|---------------|---------------|---------------|
| Variable Costs ^{3/} | | | | | | | |
| Seed (inc. treatment) | 17.76 | 16.43 | 16.43 | 24.13 | 44.46 | 14.70 | 29.64 |
| Fertilizer | 56.32 | 56.32 | 56.32 | 56.32 | 18.67 | 56.32 | 67.68 |
| Chemicals | 61.55 | 53.87 | 53.87 | 33.32 | 66.44 | 64.64 | 71.93 |
| Fuel | 20.75 | 20.75 | 20.75 | 20.75 | 22.82 | 22.82 | 21.79 |
| Repairs | 19.76 | 19.76 | 19.76 | 19.76 | 28.16 | 23.71 | 19.76 |
| Crop Insurance | 5.24 | 4.50 | 4.50 | 4.50 | 5.58 | 4.74 | 5.14 |
| Interest | 5.04 | 4.79 | 4.79 | 4.45 | 5.16 | 5.19 | 5.95 |
| Other | 10.77 | 10.77 | 10.77 | 10.77 | 10.77 | 10.77 | 10.77 |
| Total Variable Costs | 197.18 | 187.18 | 187.18 | 173.99 | 202.07 | 202.89 | 232.65 |
| Projected Returns ^{2/} | 2 CWRS* | SS2R | 1 CW | 3 CW | 2 CAN | 2 CW | 1 CW |
| Projected Yield (t/ha) | 2.00 | 2.80 | 2.80 | 2.32 | 1.87 | 1.16 | 1.13 |
| Projected Price (\$/t) | 159.00 | 147.00 | 110.00 | 125.00 | 165.00 | 270.00 | 315.00 |
| Projected Revenue (\$/ha) | 318.00 | 411.60 | 308.00 | 290.00 | 308.55 | 313.20 | 355.95 |
| Net Return (\$/ha) | 120.82 | 224.42 | 120.82 | 116.01 | 106.48 | 110.31 | 123.30 |

Numbers may not add due to rounding.

^{1/} Manitoba Agriculture

^{2/} AAFC forecast, April 2002

^{3/} Saskatchewan Agriculture and Food

^{4/} Off-Board

* Wheat: 13.5% protein / Durum: 12.5% protein

Bi-weekly Bulletin (Insert)

April 5, 2002 Volume 15 Number 6

CANADA: AREA SEEDED 2002-2003

CROP BUDGETS

ALBERTA: Brown Soil Zone - stubble

| | Spring Wheat | Durum Wheat | Feed Barley ^{4/} | Polish Canola | Lrg. Grn. Lentils | Lg. Kabuli Chick Peas |
|--|-----------------|----------------|------------------------------|------------------|----------------------|--------------------------|
| Variable Costs ^{1/} | \$/ha | | | | | |
| Seed (inc. treatment) | 16.06 | 21.00 | 13.59 | 25.94 | 49.40 | 172.90 |
| Fertilizer | 48.91 | 48.91 | 48.91 | 56.32 | 13.34 | 13.34 |
| Chemicals | 58.05 | 58.05 | 29.64 | 60.52 | 48.17 | 72.87 |
| Fuel | 14.82 | 14.82 | 14.82 | 14.82 | 14.82 | 14.82 |
| Repairs | 14.82 | 14.82 | 14.82 | 14.82 | 17.29 | 17.29 |
| Crop Insurance | 7.66 | 9.11 | 8.15 | 10.60 | 16.23 | 17.64 |
| Interest | 4.94 | 4.94 | 4.94 | 4.94 | 6.18 | 6.18 |
| Other | 2.47 | 2.47 | 2.47 | 2.47 | 2.47 | 2.47 |
| Total Variable Costs | 167.71 | 174.11 | 137.33 | 190.41 | 167.89 | 317.49 |
| Projected Returns ^{2/} | 1 CWRS* | 1 CWAD* | 1 CW | 1 CAN | 1 CAN | 2 CW |
| Projected Yield (t/ha) | 1.40 | 1.40 | 1.83 | 1.00 | 0.80 | 1.05 |
| Projected Price (\$/t) | 172.00 | 200.00 | 120.00 | 320.00 | 355.00 | 470.00 |
| Projected Revenue (\$/ha) | 240.80 | 280.00 | 219.60 | 320.00 | 284.00 | 493.50 |
| Net Return (\$/ha) | 73.09 | 105.89 | 82.27 | 129.59 | 116.11 | 176.01 |

ALBERTA: Black Soil Zone - stubble

| | Spring Wheat | CPS Red Wheat | Feed Barley ^{4/} | Oats | Dry Peas | Argentine Canola |
|--|-----------------|------------------|------------------------------|---------------|---------------|---------------------|
| Variable Costs ^{1/} | \$/ha | | | | | |
| Seed (inc. treatment) | 24.70 | 29.64 | 19.76 | 17.29 | 66.69 | 37.05 |
| Fertilizer | 84.35 | 84.35 | 84.35 | 84.35 | 28.53 | 106.70 |
| Chemicals | 61.75 | 61.75 | 54.34 | 23.47 | 66.69 | 79.04 |
| Fuel | 22.23 | 22.23 | 22.23 | 22.23 | 22.23 | 22.23 |
| Repairs | 29.64 | 29.64 | 29.64 | 29.64 | 32.11 | 29.64 |
| Crop Insurance | 9.46 | 8.99 | 9.53 | 9.11 | 15.81 | 14.55 |
| Interest | 4.94 | 4.94 | 4.94 | 4.94 | 4.94 | 6.18 |
| Other | 2.47 | 2.47 | 2.47 | 2.47 | 2.47 | 2.47 |
| Total Variable Costs | 239.54 | 244.01 | 227.26 | 193.50 | 239.47 | 297.86 |
| Projected Returns ^{2/} | 2 CWRS* | 1 CPS | 1 CW | 3 CW | 2 CAN | 1 CAN |
| Projected Yield (t/ha) | 2.42 | 3.30 | 3.13 | 2.43 | 2.30 | 1.39 |
| Projected Price (\$/t) | 167.00 | 135.00 | 115.00 | 115.00 | 170.00 | 320.00 |
| Projected Revenue (\$/ha) | 404.14 | 445.50 | 359.95 | 279.45 | 391.00 | 444.80 |
| Net Return (\$/ha) | 164.60 | 201.49 | 132.69 | 85.95 | 151.53 | 146.94 |

ONTARIO

| | SWW Wheat | HRW Wheat | Feed Barley | Grain Corn | Soybeans | White Pea Beans |
|--|---------------|---------------------|----------------|---------------|---------------|--------------------|
| Variable Costs ^{3/} | \$/ha | | | | | |
| Seed (inc. treatment) | 87.56 | 107.69 | 62.74 | 128.19 | 83.36 | 81.51 |
| Fertilizer | 123.99 | 153.76 | 149.44 | 183.03 | 28.41 | 48.41 |
| Chemicals | 12.60 | 12.60 | 87.81 | 125.72 | 105.47 | 97.81 |
| Fuel | 23.09 | 23.09 | 30.88 | 38.53 | 29.64 | 35.20 |
| Repairs | 45.70 | 45.70 | 50.64 | 48.41 | 40.76 | 63.60 |
| Crop Insurance | 16.18 | 16.18 | 11.12 | 28.65 | 26.18 | 58.42 |
| Interest | 8.89 | 16.18 | 9.14 | 13.83 | 7.90 | 9.63 |
| Other (includes drying) | 4.80 | 4.00 | n/a | 78.08 | 1.89 | 9.52 |
| Total Variable Costs | 322.81 | 379.19 | 401.75 | 644.45 | 323.61 | 404.10 |
| Projected Returns ^{2/} | 1 CEWW | 1 CERW* 11.5 | Feed | 2 CE | 2 CW | 1 CAN |
| Projected Yield (t/ha) | 4.80 | 4.00 | 3.30 | 7.70 | 2.70 | 1.67 |
| Projected Price (\$/t) | 142.00 | 147.00 | 120.00 | 125.00 | 255.00 | 595.00 |
| Projected Revenue (\$/ha) | 681.60 | 588.00 | 396.00 | 962.50 | 688.50 | 993.65 |
| Net Return (\$/ha) | 358.79 | 208.81 | -5.75 | 318.05 | 364.89 | 589.55 |

Numbers may not add due to rounding.

^{1/} Alberta Agriculture, Food and Rural Development

^{2/} AAFC forecast, April 2002

^{3/} Ontario Ministry of Agriculture, Food and Rural Affairs (except drying costs)

^{4/} Off-Board

* CWRS: 13.5% protein / 1CWAD: 12.5% protein / 1 CERW 11.5% protein



CANADA: GRAINS AND OILSEEDS OUTLOOK

April 4, 2002

For 2002-03, world wheat prices (excluding durum) are expected to decline slightly from the 2001-02 level due to higher US and world production. Durum prices are expected to decrease due to larger world supplies and rising stocks. World coarse grain prices are expected to remain similar to 2001-02 as US corn production is forecast to increase and US carry-out stocks are expected to remain burdensome. Oilseed prices are expected to decrease due to burdensome world oilseed supplies, especially US soybeans, and low edible oil prices. For most major crops, domestic support programs in the US and EU are expected to continue to encourage high production, which will pressure prices. The major factors to watch are growing conditions in the major importing and exporting regions, particularly in the US and China, import demand from China related to its WTO commitments and the Canada/US exchange rate.

In Western Canada, area seeded to spring wheat is expected to decrease while area seeded to coarse grains, durum, special crops and canola is forecast to increase due to higher expected relative net returns. In Eastern Canada, area seeded to wheat and soybeans is expected to decrease while the area seeded to corn increases. Total production of grains and oilseeds in Canada is forecast by AAFC to increase by about 10 million tonnes (Mt) to 62 Mt. The forecast assumes slightly below-normal yields, and precipitation in Saskatchewan and Alberta during the spring will be critical, despite recent snowfall. However, the supply of grains and oilseeds is forecast to increase only slightly due to low carry-in stocks and a significant decrease in corn imports. Total exports are forecast to increase slightly to 24 Mt, as higher exports of coarse grains and oilseeds more than offset lower exports of spring wheat and durum. In Canada, grains and oilseed prices, except flaxseed, are expected to decline.

WHEAT (ex-durum)

For 2001-02, exports are forecast to fall due to lower supplies, and remain well below the 10-year average of 15.6 Mt. Feed use is expected to decrease due to lower supplies of feed quality wheat. Carry-out stocks are forecast to fall to 5 Mt, the lowest since 1995-96.

For 2002-03, production is projected to rise only marginally, with higher yields more than offset by a smaller seeded area. Supplies will decline due to lower carry-in stocks, and exports are forecast to fall to 11.3 Mt. Feed use is expected to increase, assuming a return to normal crop quality. Carry-out stocks are expected to decline. The Canadian Wheat Board (CWB) March Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$196/t, in-store Vancouver/St. Lawrence (I/S VC/SL), vs. the 2001-02 PRO of \$204/t. Ontario wheat production is forecast to decline by 9% to 1.1 Mt, due to lower harvested area. The Ontario Wheat Producers' Marketing Board's estimated pool return for No.1 CEWW wheat is \$150-160/t, landed basis, about \$15/t above 2001-02.

DURUM

For 2001-02, exports are forecast to rise by 9%, despite reduced supplies, due to less competition from other exporters. Carry-out stocks are forecast to fall by 55%, to 1.3 Mt. For 2002-03, production is expected to rise sharply, due to increased area and a return to near-normal yields. Despite reduced carry-in stocks, supplies are projected to increase by 10%. Exports, however, are forecast to decrease, due to stronger competition from other exporters and stable world demand. Carry-out stocks are projected to rise by almost 50%. The CWB PRO for No.1 CWAD 11.5% protein is \$236/t I/S VC/SL, down \$11/t from the 2001-02 PRO, due to strong export competition. Durum is expected to be priced at a strong premium to spring wheat.

BARLEY

For 2001-02, exports are forecast to decrease sharply due to lower supplies. Carry-out stocks are forecast to fall to the lowest level of recent times. For 2002-03, production is forecast to

increase due to a larger seeded area, lower abandonment and higher yields. Increased supplies are expected to result in higher feed use and increased exports of feed barley and malting barley. Carry-out stocks are forecast to increase but remain below the five year average. Off-Board feed barley prices are expected to decrease sharply. The CWB PRO for No.1 CW Feed Barley is \$155/t, down from the 2001-02 PRO of \$180/t. The CWB PRO for Special Select 2 Row Designated barley is \$193/t, down from the 2001-02 PRO of \$213/t due to increased North American supplies and strong offshore competition.

OATS

For 2001-02, exports are forecast to fall due to lower supplies. Carry-out stocks are expected to decrease to the lowest level of recent times. For 2002-03, production is forecast to rise sharply, due to higher seeded area, lower abandonment, and improved yields. Exports are expected to increase due to the increased supplies. Carry-out stocks are expected to rise and prices are forecast to fall sharply to \$125-155/t.

CORN

For 2001-02, imports are forecast to exceed the record level of 2000-01. Imports into Western Canada are expected to rise due to reduced barley production, and imports into Eastern Canada are expected to remain strong. Carry-out stocks are expected to decrease slightly. For 2002-03, production is forecast to rise sharply, due to record seeded area and improved yields. Imports are expected to fall significantly due to higher barley production in Western Canada and higher corn production in Eastern Canada. Carry-out stocks are forecast to increase slightly. Chatham corn prices are forecast to decrease to \$110-140/t due to higher domestic supplies.

CANOLA

For 2001-02, exports are expected to decrease due to reduced supplies and lower Chinese demand. Domestic crush is expected to decrease significantly from last year. Carry-out stocks are expected to decline from the high levels of 2000-01.

For 2002-03, production is forecast to rise by 9% due to an increase in seeded area and a return to near-normal yields. Supplies are forecast to rise slightly. Exports are forecast to increase slightly while crush remains below the 5 year average. Carry-out stocks are expected to be stable. The price of canola is forecast to decrease slightly, to a midpoint of \$350/t, due to burdensome world vegetable oil supplies.

FLAXSEED (excluding solin)

For 2001-02, exports are expected to increase by 6% and carry-out stocks are forecast to decrease. For 2002-03, production is forecast to rise due to an increase in seeded area and a return to normal yields. Exports are projected to rise by 15% due to increased demand from the EU. Prices are forecast to increase by 5 to 10% to average \$335/t, track Thunder Bay, due to lower carry-out stocks.

SOYBEANS

For 2001-02, imports are expected to more than double to a record high. Usage is forecast to decline as lower exports more than offset stable crush volumes. Carry-out stocks are projected to decrease. For 2002-03, production is forecast to increase as higher expected yields more than offset lower seeded area. Exports are projected to increase, while the domestic crush remains stable at near record highs. The average price of soybeans is forecast to decrease slightly to a midpoint of \$250/t, I/S Chatham, the lowest since 1991-92, due to projected high production in the US.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@em.agr.ca
Coarse Grains.....Dennis Jackson 983-8461
E-mail.....jacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mail.....beckmac@em.agr.ca
Fred Olson, Chief983-0807
E-mail.....olsonf@em.agr.ca

www.agr.gc.ca/mad-mad/
LAMADOUTLOOKS&D/2002/Apr0402/Apr 4_2002c.wpd

CANADA: SUPPLY AND DISPOSITION FOR GRAINS AND OILSEEDS

APRIL 4, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|----------------------------------|-----------------------------|---------------|------------|-------------|------------------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| | | | | | thousand metric tonnes | | | | | | |
| Durum | | | | | | | | | | | |
| 2000-2001 | 2,614 | 2.16 | 5,647 | 10 | 7,432 | 3,486 | 270 | 590 | 1,074 | 2,873 | 243 |
| 2001-2002 f | 2,100 | 1.45 | 3,055 | 10 | 5,938 | 3,800 | 270 | 318 | 838 | 1,300 | 247 * |
| 2002-2003 f | 2,620 | 1.99 | 5,220 | 10 | 6,530 | 3,600 | 275 | 515 | 1,030 | 1,900 | 236 * |
| Wheat Except Durum | | | | | | | | | | | |
| 2000-2001 | 8,349 | 2.53 | 21,157 | 50 | 27,171 | 13,263 | 2,822 | 3,858 | 7,573 | 6,335 | 182 |
| 2001-2002 f | 8,958 | 2.03 | 18,228 | 60 | 24,623 | 12,200 | 2,850 | 3,800 | 7,423 | 5,000 | 204 * |
| 2002-2003 f | 7,780 | 2.39 | 18,600 | 10 | 23,610 | 11,300 | 2,875 | 3,875 | 7,610 | 4,700 | 196 * |
| All Wheat | | | | | | | | | | | |
| 2000-2001 | 10,963 | 2.44 | 26,804 | 60 | 34,604 | 16,749 | 3,091 | 4,449 | 8,647 | 9,208 | |
| 2001-2002 f | 11,059 | 1.92 | 21,282 | 70 | 30,560 | 16,000 | 3,120 | 4,118 | 8,260 | 6,300 | |
| 2002-2003 f | 10,400 | 2.29 | 23,820 | 20 | 30,140 | 14,900 | 3,150 | 4,390 | 8,640 | 6,600 | |
| Barley | | | | | | | | | | | |
| 2000-2001 | 4,551 | 2.96 | 13,468 | 40 | 16,346 | 2,639 | 360 | 10,456 | 11,253 | 2,454 | 129 |
| 2001-2002 f | 4,354 | 2.61 | 11,355 | 100 | 13,909 | 1,700 | 360 | 9,894 | 10,709 | 1,500 | 150-170 |
| 2002-2003 f | 4,925 | 2.94 | 14,490 | 40 | 16,030 | 2,400 | 360 | 10,540 | 11,330 | 2,300 | 125-155 |
| Corn | | | | | | | | | | | |
| 2000-2001 | 1,088 | 6.27 | 6,827 | 2,872 | 11,251 | 100 | 2,145 | 8,092 | 10,271 | 880 | 120 |
| 2001-2002 f | 1,233 | 6.60 | 8,171 | 3,000 | 12,051 | 200 | 2,200 | 8,869 | 11,101 | 750 | 120-140 |
| 2002-2003 f | 1,270 | 7.44 | 9,450 | 1,350 | 11,550 | 300 | 2,250 | 8,168 | 10,450 | 800 | 110-140 |
| Oats | | | | | | | | | | | |
| 2000-2001 | 1,299 | 2.61 | 3,389 | 8 | 4,519 | 1,759 | 115 | 1,630 | 1,920 | 840 | 114 |
| 2001-2002 f | 1,282 | 2.16 | 2,769 | 35 | 3,644 | 1,525 | 115 | 1,421 | 1,719 | 400 | 190-210 |
| 2002-2003 f | 1,670 | 2.45 | 4,090 | 4 | 4,494 | 1,700 | 125 | 1,701 | 1,994 | 800 | 125-155 |
| Rye | | | | | | | | | | | |
| 2000-2001 | 115 | 2.27 | 260 | 5 | 426 | 89 | 66 | 166 | 248 | 88 | |
| 2001-2002 f | 102 | 1.90 | 194 | 5 | 287 | 80 | 66 | 70 | 157 | 50 | |
| 2002-2003 f | 105 | 2.14 | 225 | 5 | 280 | 85 | 66 | 60 | 145 | 50 | |
| Mixed Grains | | | | | | | | | | | |
| 2000-2001 | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002 f | 133 | 2.79 | 371 | 0 | 371 | 0 | 0 | 371 | 371 | 0 | |
| 2002-2003 f | 150 | 2.87 | 430 | 0 | 430 | 0 | 0 | 430 | 430 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 2000-2001 | 7,181 | 3.39 | 24,327 | 2,925 | 32,924 | 4,588 | 2,686 | 20,725 | 24,075 | 4,262 | |
| 2001-2002 f | 7,105 | 3.22 | 22,859 | 3,140 | 30,262 | 3,505 | 2,741 | 20,625 | 24,057 | 2,700 | |
| 2002-2003 f | 8,120 | 3.53 | 28,685 | 1,399 | 32,784 | 4,485 | 2,801 | 20,899 | 24,349 | 3,950 | |
| Canola | | | | | | | | | | | |
| 2000-2001 | 4,816 | 1.48 | 7,126 | 224 | 9,507 | 4,838 | 3,013 | 570 | 3,615 | 1,054 | 291 |
| 2001-2002 f | 3,886 | 1.30 | 5,062 | 250 | 6,366 | 2,800 | 2,550 | 371 | 2,966 | 600 | 340-370 |
| 2002-2003 f | 4,101 | 1.35 | 5,525 | 250 | 6,375 | 2,900 | 2,450 | 380 | 2,875 | 600 | 335-365 |
| Flaxseed | | | | | | | | | | | |
| 2000-2001 | 591 | 1.17 | 693 | 11 | 1,090 | 613 | n/a | n/a | 204 | 273 | 261 |
| 2001-2002 f | 652 | 1.08 | 702 | 10 | 985 | 650 | n/a | n/a | 135 | 200 | 295-325 |
| 2002-2003 f | 673 | 1.24 | 836 | 10 | 1,046 | 750 | n/a | n/a | 121 | 175 | 320-350 |
| Soybeans | | | | | | | | | | | |
| 2000-2001 | 1,061 | 2.55 | 2,703 | 431 | 3,386 | 747 | 1,697 | 693 | 2,459 | 180 | 256 |
| 2001-2002 f | 1,031 | 1.53 | 1,582 | 1,000 | 2,762 | 450 | 1,700 | 442 | 2,212 | 100 | 240-270 |
| 2002-2003 f | 985 | 2.69 | 2,645 | 400 | 3,145 | 850 | 1,700 | 425 | 2,195 | 100 | 235-265 |
| Total Oilseeds | | | | | | | | | | | |
| 2000-2001 | 6,468 | 1.63 | 10,522 | 666 | 13,983 | 6,198 | 4,710 | 1,264 | 6,278 | 1,507 | |
| 2001-2002 f | 5,568 | 1.32 | 7,346 | 1,260 | 10,113 | 3,900 | 4,250 | 813 | 5,313 | 900 | |
| 2002-2003 f | 5,758 | 1.56 | 9,006 | 660 | 10,566 | 4,500 | 4,150 | 805 | 5,191 | 875 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 2000-2001 | 24,612 | 2.51 | 61,653 | 3,651 | 81,511 | 27,535 | 10,487 | 26,437 | 38,999 | 14,977 | |
| 2001-2002 f | 23,731 | 2.17 | 51,488 | 4,470 | 70,935 | 23,405 | 10,111 | 25,555 | 37,630 | 9,900 | |
| 2002-2003 f | 24,278 | 2.53 | 61,511 | 2,079 | 73,490 | 23,885 | 10,101 | 26,094 | 38,180 | 11,425 | |

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS 11.5% and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver); Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (US No. 2 Heavy, CBOT nearby futures); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB PRO: March 2002.

f: forecast, Agriculture and Agri-Food Canada, April 4, 2002

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

April 4, 2002

For 2001-2002, total production of pulse and special crops in Canada decreased by 23% to 3.79 million tonnes (Mt), largely because of drought in most of Saskatchewan and Alberta and insufficient moisture in Ontario. Despite lower exports and domestic use, carry-out stocks are expected to fall sharply. Average prices, compared to 2000-01, are, in general, forecast to increase.

For 2002-2003, total area seeded to pulse and special crops in Canada is forecast to increase by 7% because net returns for most pulse and special crops are expected to be better than for competing crops. It is assumed that precipitation will be normal for the spring and summer. However, for Alberta and Saskatchewan, due to the current dry conditions, yields are forecast to be below trend but significantly higher than in 2001-02. For Manitoba and Eastern Canada, trend yields are assumed. In general, it has been assumed that an increased portion of the area seeded will be harvested. Total Canadian production is forecast to increase by 40% to 5.29 Mt. Exports, domestic use and carry-out stocks are forecast to increase in line with the higher supplies. In general, average prices, compared to 2001-02, are forecast to decrease but, due to extremely low carry-in stocks for most pulse and special crops, prices are expected to be very sensitive to any production problems. The main factor to watch will be precipitation during the spring in the Prairie provinces. If the dry conditions persist in Saskatchewan and Alberta, the seeded area for small seed crops, mustard seed and canary seed, is expected to be lower than forecast, while the area for large seed crops, dry peas, lentils and chick peas, could be higher.

DRY PEAS

For 2001-2002, due to lower production and total supply, Canadian exports and domestic use are forecast to decrease. The average price is forecast to increase by about 30% as carry-out stocks decrease to a very low level.

For 2002-2003, the area seeded is forecast to increase by about 5%. Production and total supply are forecast to increase significantly. Total world supply is expected to increase by 5% to 11.5 Mt because of higher production in Canada and the EU, but this is expected to be mostly offset by increased use. Despite increased exports and domestic use, carry-out stocks in Canada are forecast to increase. The average price, over all types, grades and markets, is forecast to decrease by about 15%.

LENTILS

For 2001-2002, due to higher production in the Middle East and Australia, Canadian exports are forecast to decrease. Carry-out stocks are forecast to fall and the average price is forecast to increase by about 5%. For 2002-2003, the seeded area is forecast to fall by 10%. Production is forecast to increase significantly, but total supply is expected to increase by only 9% because of lower carry-in stocks. Total world supply is forecast to remain stable at about 3.8 Mt. Canadian exports are expected to increase, as Canada's share of total world supply increases. Carry-out stocks are forecast to increase. The average price, over all types and grades, is forecast to decrease slightly.

DRY BEANS

For 2001-2002, production and total supply decreased in Canada and the US. Canadian exports are forecast to increase because of lower world supply of the classes of dry beans produced in Canada. Carry-out stocks are expected to decrease to a very low level and the average price is forecast to rise by about 50%.

For 2002-2003, area seeded is forecast to increase by 30% and production is forecast

to increase by 40%. Total supply is expected to increase by only 17% due to lower carry-in stocks. Production and total supply are also forecast to increase in the US. Canadian exports are forecast to increase due to the higher supply and expected strong demand. Carry-out stocks are expected to remain low, although higher than in 2001-02. The average price, over all classes and grades, is forecast to decrease by about 15%.

CHICK PEAS

For 2001-2002, production and total supply increased. Canadian exports are forecast to increase because of higher Canadian supply and strong world demand. Carry-out stocks are forecast to increase. The average price is forecast to decrease by about 5%.

For 2002-2003, the area seeded is forecast to decrease by 15%, with some shift in production to the desi type as the price of the kabuli type has decreased significantly. Production and total supply are forecast to increase due to higher expected yields. Total world supply is expected to increase slightly to 8.2 Mt. Canadian exports are forecast to increase due to an increase in Canada's share of world supply. Carry-out stocks are expected to remain stable. The average price, over all types, grades and sizes, is forecast to decrease slightly.

MUSTARD SEED

For 2001-2002, due to lower production and total supply, exports are forecast to decrease. Carry-out stocks are expected to decrease to a very low level and the average price is forecast to increase by about 105%.

For 2002-2003, area seeded and production are forecast to increase sharply with the largest increase for the yellow and brown types. However, total supply is forecast to increase by a lesser extent due to lower carry-in stocks. Although exports are expected to rise, carry-out stocks are also forecast to increase. The average price, over all types and grades, is expected to decrease by about 30%.

CANARY SEED

For 2001-2002, due to lower production and total supply, Canadian exports are forecast to decrease. Carry-out stocks are expected to decrease to a very low level. The average price is forecast to rise by about 140%.

For 2002-2003, area seeded and production are forecast to increase sharply. However, total supply is forecast to increase by a lesser extent due to lower carry-in stocks. Total world supply is forecast to increase by 34% to 291,000 t. Canadian exports are expected to increase in line with the higher supply. Carry-out stocks are forecast to increase and the average price is forecast to decrease by about 40%.

SUNFLOWER SEED

For 2001-2002, due to lower production and total supply, Canadian exports and domestic use are expected to decrease. Carry-out stocks are forecast to decrease to a very low level and the average price is forecast to increase by about 10%.

For 2002-2003, area seeded and production are forecast to increase significantly. However, total supply is forecast to decrease slightly, due to lower carry-in stocks. Total world supply is expected to increase slightly due to higher production of the oilseed type. Canadian exports are expected to decrease, while domestic use remains stable. Carry-out stocks are forecast to remain very low. The average price, over both types, is forecast to increase by about 5% because of stronger expected prices for the confectionary type.

BUCKWHEAT

For 2001-2002, total supply decreased due to lower carry-in stocks. The average price, over all grades and markets, is forecast to increase by 5% due to stronger demand. For 2002-2003, production is forecast to rise due to higher seeded area. The average price is forecast to be similar to 2001-02.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972

E-mail skrypetzs@em.agr.ca

Fred Oleson, Chief(204) 983-0807

E-mail olesonf@em.agr.ca

www.agr.gc.ca/mad-dam/

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| CANADA: SUPPLY AND DISPOSITION FOR PULSE AND SPECIAL CROPS | | | | | | | | APRIL 4, 2002 | |
|--|-----------------------------|---------------|------------|----------------|-----------------|----------------|-----------------------|------------------|------------------------------|
| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use | Ending Stocks | Average Price (e) \$/t |
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 | 1,220 | 2.35 | 2,864 | 12 | 3,276 | 2,192 | 889 | 195 | 138 |
| 2001-2002f | 1,394 | 1.58 | 2,196 | 10 | 2,401 | 1,500 | 801 | 100 | 170-190 |
| 2002-2003f | 1,500 | 2.05 | 3,080 | 10 | 3,190 | 2,000 | 940 | 250 | 135-165 |
| Lentils | | | | | | | | | |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 | 688 | 1.33 | 914 | 5 | 999 | 550 | 243 | 206 | 295 |
| 2001-2002f | 691 | .85 | 585 | 5 | 796 | 530 | 171 | 95 | 300-320 |
| 2002-2003f | 650 | 1.18 | 770 | 5 | 870 | 550 | 210 | 110 | 290-320 |
| Dry Beans | | | | | | | | | |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 | 165 | 1.62 | 268 | 40 | 348 | 227 | 71 | 50 | 465 |
| 2001-2002f | 150 | 1.70 | 255 | 20 | 325 | 255 | 65 | 5 | 685-705 |
| 2002-2003f | 205 | 1.73 | 355 | 20 | 380 | 280 | 80 | 20 | 580-610 |
| Chick Peas | | | | | | | | | |
| 1998-1999 | 40 | 1.33 | 53 | 2 | 56 | 14 | 37 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 | 283 | 1.37 | 388 | 5 | 408 | 179 | 199 | 30 | 410 |
| 2001-2002f | 476 | .98 | 465 | 7 | 502 | 250 | 187 | 65 | 380-400 |
| 2002-2003f | 410 | 1.22 | 500 | 5 | 570 | 300 | 205 | 65 | 360-390 |
| Mustard Seed | | | | | | | | | |
| 1998-1999 | 279 | .86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 | 208 | .97 | 202 | 1 | 318 | 151 | 67 | 100 | 280 |
| 2001-2002f | 132 | .67 | 89 | 1 | 190 | 135 | 50 | 5 | 570-590 |
| 2002-2003f | 255 | .90 | 230 | 1 | 236 | 155 | 66 | 15 | 395-425 |
| Canary Seed | | | | | | | | | |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 | 164 | 1.04 | 171 | 0 | 261 | 170 | 21 | 70 | 265 |
| 2001-2002f | 140 | .66 | 92 | 0 | 162 | 140 | 17 | 5 | 630-650 |
| 2002-2003f | 230 | .96 | 220 | 0 | 225 | 170 | 30 | 25 | 380-410 |
| Sunflower Seed | | | | | | | | | |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 | 69 | 1.72 | 119 | 18 | 178 | 77 | 70 | 31 | 320 |
| 2001-2002f | 63 | 1.56 | 98 | 15 | 144 | 75 | 64 | 5 | 335-355 |
| 2002-2003f | 75 | 1.60 | 120 | 15 | 140 | 70 | 65 | 5 | 340-370 |
| Buckwheat | | | | | | | | | |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 | 15 | .93 | 14 | 1 | 16 | 9 | 7 | 0 | 305 |
| 2001-2002f | 12 | 1.17 | 14 | 1 | 15 | 8 | 7 | 0 | 310-330 |
| 2002-2003f | 13 | 1.15 | 15 | 1 | 16 | 9 | 7 | 0 | 305-335 |
| Total Pulse and Special Crops (c) | | | | | | | | | |
| 1998-1999 | 2,156 | 1.70 | 3,660 | 109 | 4,301 | 2,634 | 1,036 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 | 2,812 | 1.76 | 4,940 | 82 | 5,804 | 3,555 | 1,567 | 682 | |
| 2001-2002f | 3,058 | 1.24 | 3,794 | 59 | 4,535 | 2,893 | 1,362 | 280 | |
| 2002-2003f | 3,338 | 1.58 | 5,290 | 57 | 5,627 | 3,534 | 1,603 | 490 | |

(a) Aug-July crop year.
(b) Excludes products.
(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat).
(d) Includes food, feed, seed, waste and dockage.
(e) Producer price, FOB plant. Average over all types, grades and markets.
f: forecast, Agriculture and Agri-Food Canada, April 4, 2002.
Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday April 8, 2002

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|-------------------|------------------|-------------|--------|--------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| Vancouver | This week | FOB | 181.16 | N/A | 177.16 | 170.00 | | 321.00 | (7) 238.50 | 152.00 | 335.00 | (4) 880.00 | 450.00 | | | | 450.00 |
| B.C. | Week ago | | 181.16 | N/A | 180.16 | 171.17 | | 330.25 | (7) 258.50 | 152.00 | 335.00 | (4) 880.00 | 450.00 | | | | 450.00 |
| Calgary | This week | FOB | 158.00 | N/A | 154.00 | 160.00 | | 313.00 | N/A | | 295.00 | (4) 930.00 | 485.00 | | | | 440.00 |
| Alta | Week ago | | 158.00 | N/A | 157.00 | 158.00 | | 321.00 | N/A | | 295.00 | (4) 930.00 | 485.00 | | | | 440.00 |
| Saskatoon | This week | FOB | 155.50 | 240.00 | 138.50 | 153.00 | | 307.00 | 211.00 | | 295.00 | (4) N/A | 485.00 | | 185.00 | | 470.00 |
| Sask. | Week ago | | 155.00 | 245.00 | 141.00 | 153.00 | | 315.50 | 236.00 | | 295.00 | (4) N/A | 485.00 | | 189.33 | | 470.00 |
| Melfort | This week | FOB | 159.30 | 298.65 | 137.90 | | | | | | | | | | | | |
| Sask. | Week ago | | 159.90 | 286.13 | 138.70 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 162.50 | 245.20 | 144.45 | 144.00 | | 290.00 | 201.00 | | 305.00 | (4) 875.00 | 420.00 | | | | 415.00 |
| Man. | Week ago | | 163.00 | 240.18 | 146.05 | 143.00 | | 302.50 | 226.00 | | 305.00 | (4) 875.00 | 420.00 | | | | 415.00 |
| Thunder Bay | This week | In-store | 164.30 | 319.61 | (8) 146.90 | | | | | | | | | | | | |
| Ont. | Week ago | | 164.90 | 307.15 | (8) 147.70 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 128.02 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 129.39 | | | | | | | | | | | |
| Bay Ports | This week | In-store | 178.80 | 325.00 | N/A | | | | | | | | | | | | |
| Ont. | Week ago | | 179.90 | 330.00 | N/A | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 137.59 | | | | | | | | | | | |
| Ont. | Week ago | | | | | 136.80 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Hamilton | This week | N/A | | | | | FOB | 298.28 | N/A | | | | | | | | |
| Ont. | Week ago | | | | | | | 302.69 | N/A | | | | | | | | |
| Eastern | This week | FOB | | | | 140.50 | | | | | | | | | | | |
| Ontario | Week ago | | | | | 139.50 | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | | | | | | | | | | | |
| Que. | Week ago | | | | | | | | | | | | | | | | |
| Trois Riv. | This week | In-store | 194.30 | | 180.90 | 149.80 | | | | | | | | | | | |
| Que. | Week ago | | 194.90 | | 181.70 | 150.98 | | | | | | | | | | | |
| St-Jean Que. | This week | FOB | 174.65 | 206.67 | 162.93 | (2) 142.32 | | | | | | | | | | | |
| St-Hyacinthe Que. | Week ago | | 174.95 | 217.33 | 165.57 | (2) 143.89 | | | | | | | | | | | |
| Quebec | This week | In-store | 190.30 | | 178.90 | 150.78 | FOB | 311.88 | | | | | | | | | |
| Que. | Week ago | | 190.90 | | 179.70 | 151.96 | | 314.82 | | | | | | | | | |
| Trois Riv. | This week | Track | 219.62 | 251.49 | 204.12 | 181.48 | FOB | 342.21 | 286.73 | | | | | | | | |
| N.S. | Week ago | | 222.25 | 250.87 | 208.07 | 180.13 | | 343.59 | 288.97 | | | | | | | | |
| Trois Riv. | This week | Water | N/A | N/A | N/A | 176.00 | | | | | | | | | | | |
| N.S. | Week ago | & Truck | N/A | N/A | N/A | 177.10 | | | | | | | | | | | |
| Halifax | This week | In-store | N/A | N/A | N/A | 167.00 | FOB | | | | | | | | | | |
| N.S. | Week ago | | N/A | N/A | N/A | 168.10 | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754 N/A = not available US \$1.00=Can \$1.5941 as of April 8, 2002

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No. 1 Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWR5 (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley (8) Futures, WCE

| B. CASH PRICES AND REPLACEMENT VALUES | | | As of Monday April 8, 2002 | | | | |
|---------------------------------------|--------------------------|--------|----------------------------|----------|-----|-----------|----------|
| PRAIRIE GRAINS | | | | | | | |
| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay 2 | In-Store | WHEAT | 165.30 | 165.90 | | 172.50 | 133.50 |
| CBOT | | OATS | 319.61 | 307.15 | | N/A | 129.33 |
| LETHBRIDGE | | BARLEY | 154.20 | 155.00 | | 157.70 | N/A |
| To: Bayports, Ont. | In-store | WHEAT | 194.42 | 195.02 | 1. | 199.61 | 162.62 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 188.24 | 189.04 | 1. | 189.44 | N/A |
| Montreal, Que. | In-store | WHEAT | 199.49 | 200.09 | 1. | 204.58 | 167.69 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 194.54 | 195.34 | 1. | 195.35 | N/A |
| Moncton, N.B | Truck via Halifax | WHEAT | 221.86 | 222.46 | | 226.98 | 190.06 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 220.01 | 220.81 | | 221.12 | N/A |
| Truro, N.S. | Truck via Halifax | WHEAT | 219.36 | 219.96 | | 224.48 | 187.56 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 215.13 | 215.93 | | 216.24 | N/A |
| Halifax, N.S. | In-store | WHEAT | 206.69 | 207.29 | 1. | 211.81 | 174.89 |
| | | OATS | N/A | N/A | 1.0 | N/A | N/A |
| | | BARLEY | 201.46 | 202.26 | 1.0 | 202.56 | N/A |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 260.23 | 260.83 | | 267.43 | 228.43 |
| | | OATS | 425.81 | 413.35 | | N/A | 235.53 |
| | | BARLEY | 261.34 | 262.14 | | 264.84 | N/A |
| From: Melfort, Sask. | FOB | WHEAT | 159.30 | 159.90 | | 163.00 | 127.50 |
| | | OATS | 298.65 | 286.13 | | 291.77 | 111.23 |
| | | BARLEY | 137.90 | 138.70 | | 147.50 | 118.80 |
| To: Bayports, Ont. | Track | WHEAT | 208.45 | 209.05 | | 212.15 | 183.62 |
| | | OATS | 355.54 | 343.02 | | 348.66 | 170.10 |
| | | BARLEY | 187.60 | 188.40 | | 197.20 | 172.19 |
| Montreal, Que. | Track | WHEAT | 209.21 | 209.81 | | 212.91 | 184.37 |
| | | OATS | 359.26 | 346.74 | | 352.38 | 171.00 |
| | | BARLEY | 188.42 | 189.22 | | 198.02 | 173.01 |
| Moncton, N.B. | Track | WHEAT | 237.49 | 238.09 | | 241.19 | 205.55 |
| | | OATS | 383.54 | 371.02 | | 376.66 | 194.34 |
| | | BARLEY | N/A | N/A | | N/A | 185.12 |
| Truro, N.S. | Track | WHEAT | 235.68 | 236.28 | | 239.38 | 205.72 |
| | | OATS | 384.55 | 372.03 | | 377.67 | 195.31 |
| | | BARLEY | N/A | N/A | | N/A | 198.74 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 282.74 | 283.34 | | 286.44 | 249.06 |
| | | OATS | 433.83 | 421.31 | | 426.95 | 242.69 |
| | | BARLEY | N/A | N/A | | N/A | 247.03 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|------------------------|--|---------------|---------------|-----|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 128.02 | 129.39 | | 131.24 | 128.00 |
| To: Montreal, Que. (US Corn) | In-store | | 153.56 | 154.93 | 1.0 | 154.57 | 153.54 |
| From: Chicago (Mi) | Track | | 131.77 | 133.17 | | 131.87 | 119.40 |
| To: Montreal, Que. (US Corn) | Track | | 160.80 | 162.20 | | 160.90 | 146.94 |
| From: Chatham | Track | | 137.59 | 136.80 | | 134.74 | 133.56 |
| To: Montreal, Que. | Track | | 160.97 | 160.18 | | 158.12 | 156.45 |

| | | | | | | | |
|-----------------------------|--------------------------|--|---------------|---------------|--|---------------|---------------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 298.28 | 302.69 | | 298.83 | 292.66 |
| To: Montreal, Que. | Track | | 322.70 | 327.11 | | 323.25 | 315.13 |
| Moncton, N.B. | Track | | 345.91 | 350.32 | | 346.46 | 332.44 |
| Truro, N.S. | Track | | 344.74 | 349.15 | | 345.29 | 335.41 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 393.54 | 397.95 | | 394.09 | 384.67 |

1. Prices include FOUR month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

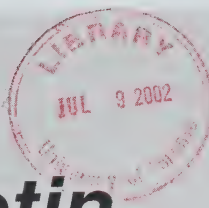
Contact: Hélène Ménard Tel: (514) 283-3815 (486) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

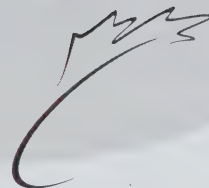


Agriculture and
Agri-Food Canada

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Bi-weekly Bulletin

April 26, 2002 Volume 15 Number 7

CANADIAN WHEAT CLASSES

Wheat is not a single homogenous product, but instead is made up of many types and classes, each with different characteristics and end uses. Canadian Western Red Spring wheat is internationally renowned for its high quality in bread production and in blends to improve the baking performance of weaker wheats. Canadian farmers also produce other classes of wheat which have been specifically developed to meet the quality and/or pricing requirements of a wide variety of markets around the world. This issue of the *Bi-weekly Bulletin* examines the classes of wheat grown in Canada, providing a look at where these are grown, how much is produced, what the characteristics of each are and where the major markets are located.

INTRODUCTION

While there are a number of classes of wheat produced in Canada, commercial production is composed of only two species of plants. The common or bread wheats are all of the species *Triticum aestivum*, subspecies *aestivum*, while durum wheat is a separate species, *T. turgidum* ssp. *durum*. Other species of wheat exist, but are not commercially produced in significant volume in Canada. Common wheat has been bred over the years into many different types or classes, and it can be either fall or spring sown, have a hard or soft kernel, have varying protein quality and content, and a white or red seed coat. Canadian farmers produce hard red spring, hard red winter, soft red winter, soft white spring and soft white winter wheat. A sixth experimental class of spring wheat, hard white wheat, is just entering commercial production, although a lower protein white spring wheat,

Canada Prairie Spring White (CPS-W), has been produced for a number of years. The hard red spring category is further subdivided into three classes; Canada Western Red Spring (CWRS), Canada Western Extra Strong (CWES) and Canada Prairie Spring Red (CPS-R). All Canadian durum wheats are considered to be of one class, although the extra strong variety Navigator is segregated, and all durum is spring sown in Canada.

All current registered wheat varieties have been developed through traditional breeding programs, without the use of genetic modification techniques.

Canada Western Red Spring Wheat

CWRS is the principal class of wheat produced in Canada. It is recognized as the highest quality wheat, in terms of its bread production and blending characteristics, grown in Canada. CWRS has a hard

vitreous kernel, with a high protein content and strong gluten (the protein that gives bread dough its elastic nature), making it ideal for use alone in producing high quality bread flour, and as a blending wheat to improve the baking performance of weaker wheats. It is used alone for the production of high-volume pan breads. It can also be used for the production of a diverse range of products, such as hearth breads, noodles, flat breads and steam breads, either alone or in blends with weaker gluten wheat. The average protein content of No.1 CWRS wheat over the period 1991 to 2000 was 13.2% (on a 13.5% moisture basis), compared to 12% or less for the three other red wheats produced in western Canada (CWES, CPS-R, and Canada Western Red Winter Wheat (CWRW)). The impact of the high protein levels and strong gluten on baking characteristics for pan breads is quite striking. For No.1 CWRS with 13.5% protein, the 10 year average loaf volume has been

WESTERN CANADIAN VARIETY REGISTRATION PROCESS¹

The registration of varieties within each Canadian grain class is tightly controlled, in order to ensure that all wheat in each class is functionally uniform. Every new variety must be reviewed and accepted by the Prairie Registration Recommending Committee for Grains (PRRCG) before it can be registered for production. As a result, all varieties registered in a class will exhibit very similar end-use performance, not only between various cargoes, but also from year to year. Each wheat class has a reference standard variety, against which a new variety is compared concerning its quality characteristics, agronomic performance and disease resistance. A key component of the current varietal registration process is kernel visual distinguishability (KVD). Plant breeders are required to ensure that new varieties in each class have the same kernel shape and colour as other varieties in the class. Identification via KVD is a low cost efficient method of ensuring consistency. The identity of each of the various classes can be readily preserved throughout the handling system. The end user knows how any shipment of Canadian wheat will perform in his processing operation without the need for individual testing.

Before being considered for registration, a new variety must be grown for three years in a series of crop performance trials across western Canada. These trials allow the new variety to be compared to the reference variety for the class, over several growing seasons and in all parts of the growing region. Only if the new variety is visually distinguishable and its quality parameters are not unacceptably different from the reference variety will the PRRCG accept the new variety for registration.

Canada

1,105 cm³ per 100 grams of flour, compared to an average of just 770 cm³ for the other three red wheats. Average water absorption was 69%, compared to about 60% for the three other wheats.² This means that a smaller quantity of flour can be used to produce a given volume of bread, improving bakers' profit margins.

Over the 5-year period from 1997 to 2001, CWRS production averaged 15.4 million tonnes (Mt), making up 62% of all wheat produced in Canada. CWRS production has declined since the early 1990's, with the 1992 to 1996 average production being 18.5 Mt, due to low wheat prices relative to those for alternative crops. Saskatchewan is the major producer of CWRS wheat, accounting for 50% of the total, with Alberta and Manitoba accounting for 29% and 20%, respectively.

The Canadian domestic milling and baking industry is the single largest market for CWRS wheat, accounting for over 2.5 Mt annually, as virtually all bread flour produced in Canada is from CWRS wheat. Mills in many other countries, particularly the United States (US), Italy, Great Britain, and Japan, also prize the quality of CWRS wheat, and are steady customers of the Canadian Wheat Board (CWB), ready to pay a premium price for CWRS wheat over wheat from other exporters. Of these "premium" markets, Japan is the largest, taking an average of 1.3 Mt over the past 5 years (1996-1997 to 2000-2001), followed by the US at about 1 Mt. Italy and Great Britain imported an average of 0.2 Mt and 0.3 Mt respectively over this period. The largest volume importer of CWRS wheat has been Iran, which imported an average of 1.9 Mt over the past 5 years, but this country is not as quality-conscious a market, and tends to take lower quality No.3 CWRS when it is available. Other major markets for CWRS wheat are Indonesia, China, Mexico, Colombia, and Venezuela.

Canada Western Extra Strong

CWES is also a hard red spring wheat, but its milling and baking characteristics are different from CWRS. Although its protein content is lower than that of CWRS, averaging just 12.2% over the past 10 years, its gluten strength is very high. This is illustrated by the high extensogram readings for CWES flour (a measure of the elasticity of the dough); an average maximum area of 210 cm² was recorded, compared to CWRS 13.5% flour, at just 160 cm².² Because the strong gluten results in a flour that requires a very long mixing time to properly develop the dough, CWES flour is not used alone in bread production. Instead, it has been found to be particularly useful as a blending wheat, to increase the flour strength of weaker wheats, particularly in the production of specialty products such as pizza dough, whole wheat and frozen dough products.¹

CWES wheat production is relatively small, averaging 572,000 tonnes (t) over the past 5-years, just 2% of all Canadian wheat. Production is concentrated in Alberta and Saskatchewan, which produced 46% and 36% respectively, over the period from 1997 to 2001. Domestically, CWES has been used for blending with CWRS flour for specialty products, but very little is now used. It is also used for feed, particularly in the past few years, as prices have fallen well below those for CWRS wheat. CWES exports have averaged 290,000 t between 1996-1997 and 2000-2001, about 50% of production. The major export market for CWES wheat has been the US, which accounted for about 50% of all exports between 1996-1997 and 2000-2001. However, exports to the US have declined in recent years, due to an increase in American domestic production of wheats with similar baking characteristics. From 327,000 t in 1996-1997, exports to the US fell to under 50,000 t in 2000-2001. The other major export markets have been Italy and Indonesia, which have imported an average of 32,000 t and 36,000 t respectively

over the past 5-years.

Canada Prairie Spring Red Wheat

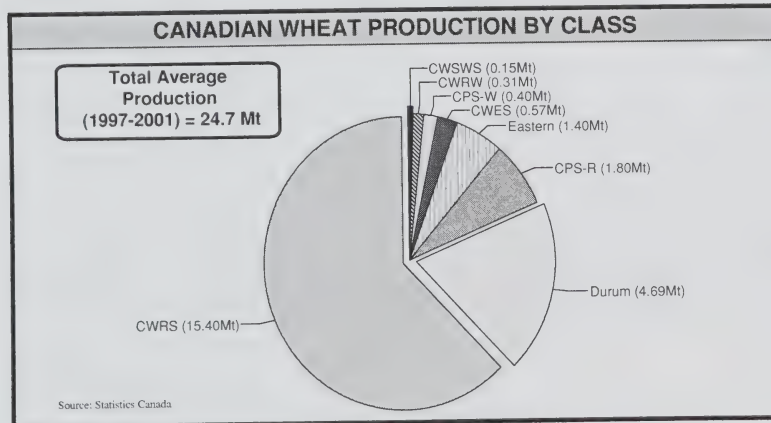
Canada Prairie Spring Red Wheat (CPS-R) is the third class of hard red spring wheat produced in Canada. Many wheat customers around the world do not require the high protein and strong gluten of CWRS wheat for the products that they produce. These include hearth breads such as French bread, flat breads such as pita, and crackers. Canadian farmers needed a class of wheat which could compete with American hard red winter wheat in these markets, and in response to this requirement Canadian wheat breeders developed the CPS-R varieties of wheat. Compared to CWRS wheat, CPS-R has a slightly softer kernel, although still hard by world standards, and a lower protein content. The 5 year average protein content has been 11.5%.²

CPS-R production is estimated by Agriculture and Agri-food Canada (AAFC) to have averaged about 1.8 Mt between 1997 and 2001. Exports of CPS-R wheat have averaged 353,000 t over the past five years, about 20% of production, with the major markets being countries that tend to use wheat for the production of flat breads or noodles. The largest importers of CPS-R wheat between 1996-1997 and 2000-2001 were Mexico and Indonesia, which each imported about 75,000 t annually. Other major customers have been the United Arab Emirates, Bangladesh, Colombia, Venezuela, and Chile.

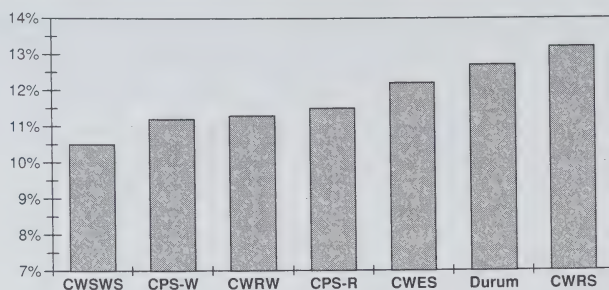
CPS-R wheat is priced lower than CWRS wheat, and it does not receive protein premiums. Over the past 5 years, on-farm CWB returns for No.1 CPS-R have averaged about 25% lower than for No.1 CWRS with 13.5% protein. It yields about 15-20% higher than CWRS, largely offsetting the lower price. The major domestic use of CPS-R wheat is for feeding livestock, largely hogs, in western Canada. The aim of current breeding is to increase the protein strength to a level similar to that of US hard red winter wheat¹. New varieties of CPS-R wheat, such as AC Crystal, and 5700 PR, have improved protein strength, milling characteristics and bread making properties, which should improve the marketability of this class of wheat for human food uses. Almost two-thirds of the CPS-R production in 2001 was of AC Crystal.

Canada Western Red Winter Wheat

Canada Western Red Winter Wheat (CWRW) is the only winter wheat grown on the Prairies. It is grown only on a small area, with production averaging just 311,000 t between 1997 and 2001. Production is rising, however, particularly on the eastern Prairies, and it reached 441,000 t in 2001,



CANADA: PROTEIN CONTENT OF MAJOR WHEAT CLASSES



Source: Canadian Grain Commission

1996 to 2000 Average

with almost 50% grown in Manitoba. The popularity of CWRW is increasing, as it provides several important benefits. On average, winter wheat yield is 23% higher than spring wheat. It often escapes infection by serious pests such as Fusarium Head Blight and the orange wheat blossom midge. It offers work load displacement, and promotes conservation tillage practices.

CWRW has a hard kernel and medium gluten strength. Average protein content of CWRW is similar to CPS-R, averaging 11.3%. Baking performance remains inferior to US varieties of hard red winter wheat, and this, combined with the small volumes available, means that CWRW does not receive premiums generally available for most other Canadian wheat classes. Exports have averaged only 58,000 t over the past 5-years. Indonesia, Thailand and Malaysia have been the largest importers of CWRW, using it for noodle production. Domestically, the major use of CWRW is for feed. Starting in 2002, the CEB will segregate preferred quality varieties, such as AC Bellatrix and CDC Osprey, from poorer quality varieties, in an attempt to generate increased export demand and extract higher value from the world market place. The objective of breeding programs is to match and surpass the quality of US hard red winter wheat varieties.

Canada Prairie Spring White Wheat

Canada Prairie Spring White wheat (CPS-W) varieties were developed by Canadian wheat breeders largely in response to demand from the Asian noodle market, which traditionally imported Australian Standard White wheat for noodle production. In addition to noodles, CPS-W performs well in the production of hearth breads and flat breads. CPS-W has a low to medium protein content and a medium to strong gluten strength.¹ Average protein content is slightly lower than CPS-R wheat, with the 5-year average being 11.2%.² The

white seed coat produces a flour with fewer visible bran specks, and with a whiter colour at high extraction rates, compared to a red wheat. The newest varieties of CPS-W, such as AC Vista and AC 2000, have a harder kernel, improved flour colour and stronger dough properties, which make this class better suited to Asian products such as noodles and steam breads. More than half of the CPS-W production in 2001 was of AC Vista.

Production of CPS-W is estimated by AAFC, to have averaged about 0.4 Mt over the past 5-years. Exports of CPS-W have averaged almost 300,000 t between 1996-1997 and 2000-2001, with the major markets being the United Arab Emirates and Pakistan, which use it for flat bread production. The major east Asian market has been Malaysia, where it is used largely for noodle production. Relatively little is milled domestically, and higher protein CPS-R wheat is preferred for livestock feeding.

Canada Western Soft White Spring Wheat

Canada Western Soft White Spring Wheat (CWSWS) is the only soft wheat grown on the Prairies. It has a soft kernel and low protein. Most is grown under irrigation, in southern Alberta, since dryland production can result in excessively high protein content if rainfall is not adequate. It can be used for flat breads, but it is largely used for the production of cookies, pastries, biscuits and crackers¹.

Due to low prices, production has been declining, as alternative crops could be more profitably grown on the irrigated land. The 1997 to 2001 average has been about 150,000 t, but this fell to only 72,600 t in 2001. As a result, most CWSWS is now used domestically in western Canada for the production of cake and pastry flour. Exports averaged 77,000 t over the past 5-years, but had fallen to only 2,000 t in 2000-2001, and

they are forecast to remain low in 2001-2002. Major export markets were the Philippines and Chile. Production is forecast by AAFC to recover to about 140,000 t in 2002-2003, due to strong prices in 2001-2002. This should allow exports to resume to these traditional markets.

Hard White Wheat

Hard White Wheat (HWW) is a new class of spring wheat being developed for production in western Canada. The breeding objective has been to develop a hard white wheat with milling and baking characteristics similar to CWRs. The reduced visible bran specks at higher flour extraction rates, and milder flavour of the whole wheat flour, is expected to give HWW an advantage over CWRs in certain markets. It would also allow Canada to compete more directly with Australian Prime Hard, which is also a white wheat. There are currently two varieties available, with interim regional registration. The CWB offered a production contract for HWW wheat in 2001-2002, with the aim of producing enough wheat to commercially test market it, but the program has been hampered by problems with the seed supply. For this reason, the program is not being repeated for 2002-2003, but is expected to be renewed for 2003-2004.

Canada Western Amber Durum Wheat

Canada Western Amber Durum Wheat (CWAD) is quite different from other wheats, in both its milling and end-use characteristics. Good quality durum has a very hard vitreous (glassy) kernel. The durum endosperm (the inner part of the kernel which is milled into flour or semolina) is a pale yellow or amber colour, versus the white endosperm of common wheat. Both of these factors make durum wheat particularly suited to the production of pasta products. Durum pasta maintains a firm texture after cooking, and the amber kernel gives pasta the desired amber colour without the addition of artificial colouring. Traditional durum production and consumption is concentrated in the countries surrounding the Mediterranean, including North Africa, Spain, Italy, Greece and Turkey. Virtually all pasta consumed in these regions, as well as in North America and the remainder of Europe, is made from 100% durum semolina. Durum pasta production is also increasing in South America, a region where pasta has more traditionally been produced from common wheat. In Italy, North Africa and the Middle East, bread products are also made from durum. In North Africa, durum is also used to produce couscous, a staple food product in this region.

ANCIENT WHEAT

Interest is being revived in growing "old" types of wheat, particularly under organic conditions, as these types have not been exposed to modern breeding techniques, making them a more "natural" product. These include einkorn and emmer wheats, which were the original wheats to be domesticated, and spelt, which later developed from emmer. Of the three, only spelt is currently produced in Canada, largely in Saskatchewan and Ontario. Spelt products are now available in health food stores. There are soft spelt lines that perform well in bread and cookie production, as well as hard spelt, that can be used to make pasta and cereal.

Recent research, however, indicates that einkorn and emmer may have a future as specialty food products as well. The nutritional profile of einkorn is said to be better than common wheat, with a higher protein content. It has poor bread-making performance, but could be used to make breakfast cereals, cakes and cookies. The baking characteristics of emmer wheat are reported to be better, and it can be used for bread production.

Another "ancient wheat" is known by the trademark name "Kamut". Kamut is similar to durum, except for the shape and larger size of the kernel. Small scale commercial production now takes place, and Kamut is used for the production of cereals, breads, cookies and baked goods. The flavour is said to be superior to that of common wheat or durum.

Durum wheat production averaged 4.7 Mt, or 19% of total Canadian wheat production, between 1997 and 2001, which was an increase from just 4.1 Mt or 15% of total production, in the 1992 to 1996 period. Production is concentrated in Saskatchewan, which accounted for more than 80% of the total over the past 5-years. Most of the remainder is produced in Alberta. Very little durum is produced outside the brown and dark brown soil zones in the southern part of these two provinces, because the relatively dry climate with hot summers in this region is suited to the production of good quality durum. Production of good quality durum cannot be achieved consistently in the moister black soil zone in the northern and eastern Prairies, because excess moisture, particularly late in the growing season, can result in a low vitreous kernel count, and can also downgrade the crop due to sprouting. Durum also has very little resistance to fusarium head blight, making production in eastern regions of the Prairies generally uneconomical.

Over the past 5-years, between 1996-1997 and 2000-2001, an average of about 0.28 Mt of durum was milled into semolina in Canada. This is an increase from about 0.25 Mt in the 1992-1993 to 1995-1996 period. This is relatively small compared to many export markets. The single largest market for Canadian durum has consistently been Algeria, which imported an average of 1.5 Mt over the past 5-years. Morocco has also been a large and consistent market, taking an average of 0.4 Mt annually. In the US, durum millers take advantage of their proximity to large supplies of good quality Canadian durum, and have imported an

average of 0.4 Mt over the past 5-years.

Italy and Belgium are the major markets in Europe for Canadian durum. South America is seen as a growth market for durum sales as changing consumer preferences are resulting in a shift from common wheat to durum for pasta production. Here, the major buyers of Canadian durum have been Chile, Peru and Venezuela, with smaller quantities going to Guatemala, Brazil, and Colombia. The only significant Asian durum market is Japan.

Eastern Canadian Wheat

Except for Ontario, very little wheat is produced in eastern Canada, and most is grown for feed use. Ontario, however, has a sizable wheat industry, producing an average of 1.2 Mt over the past 10 years. Most Ontario production is of soft wheat, with soft white winter wheat the traditional major class. This has been changing in recent years, with production of soft red winter wheat increasing due to its better agronomics, including more resistance to sprouting, and this has become the major class today. Most of the soft wheat is consumed domestically in the production of cake, cracker and pastry flour and breakfast cereal, or exported into the nearby US. Total domestic consumption of soft wheat averages 0.43 Mt, of which about 0.1 Mt is used by the breakfast cereal industry, which requires soft white wheat. Small quantities are also exported overseas in most years, usually as food aid. The major destinations have been Egypt, Bangladesh, Iran and Pakistan. Smaller areas of hard red winter and hard red spring wheat are also grown in Ontario, most of which are milled domestically in blends with CWRS wheat from western Canada.

For more information, please contact:

Glenn Lennox
Wheat Analyst
Phone: (204) 983-8465
E-mail: lennoxg@em.agr.ca

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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^{1/} "Grains from Western Canada", *Canadian Wheat Board*, p.

^{2/} "Quality of Western Canadian Wheat", *Canadian Grain Commission*, p. 1.



CANADA: GRAINS AND OILSEEDS OUTLOOK

April 29, 2002

The Statistics Canada (STC) seeding intentions survey, conducted during late March, indicates that, in Western Canada, the areas seeded to durum wheat, coarse grains and, to a lesser extent, canola are expected to increase while the areas seeded to spring wheat, flaxseed, soybeans, pulse and special crops are expected to decrease, as is the area in summerfallow. In Eastern Canada, the areas seeded to wheat and corn are expected to rise while soybean area decreases. If rain is not received prior to seeding in Alberta and western Saskatchewan, which are currently very dry, intended area could shift from small-seed crops, such as canola, to large-seed crops, such as wheat, which can be seeded deeper into available moisture, or into summer-fallow. Current dry conditions have raised concerns about yield potential. Timely rains will be required for a near-average crop.

Based on the STC survey, total production of grains and oilseeds in Canada is forecast by AAFC to increase to 62 million tonnes (Mt) from about 51 Mt in 2001-02, assuming slightly below-normal yields. The supply of grains and oilseeds is forecast to increase only slightly due to low carry-in stocks and a significant decrease in corn imports. Total exports are forecast to increase slightly to 24 Mt, as higher exports of coarse grains and oilseeds more than offset lower exports of spring wheat and durum. In Canada, grains and oilseed prices, except flaxseed, are expected to decline.

For 2002-03, world wheat prices (excluding durum) are expected to decline slightly from the 2001-02 level due to higher US and world production. Durum prices are expected to decrease due to larger world supplies and rising stocks. World coarse grain prices are expected to remain similar to 2001-02 as US corn production is forecast to increase and US carry-out stocks are expected to remain burdensome. Oilseed prices are expected to decrease due to burdensome world oilseed supplies, especially US soybeans, and low edible oil prices. For most major crops, domestic support programs in the US and EU are expected to continue to encourage high production, which will pressure prices. The major factors to watch are growing conditions in the major importing and exporting regions, particularly in the US and China, import demand from China related to its WTO commitments and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2002-03, area seeded is expected to decrease by 11% from 2001-02, but production is projected to increase by 7%, with the lower area more than offset by higher yields. Total supplies are expected to decline marginally, due to lower carry-in stocks. Exports are forecast to fall slightly, to 11.9 Mt. Feed use is expected to increase slightly due to strong hog feed demand, assuming increased supplies of lower quality wheat because of a return to a normal grade distribution. Carry-out stocks are forecast to be unchanged, at 5 Mt, the lowest levels since 1995-96. The Canadian Wheat Board (CWB) April Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$193/t, in-store Vancouver/St. Lawrence, down \$3/t from March and \$11/t below the 2001-02 PRO. Ontario winter wheat production is forecast to rise by 8% to 1.1 Mt, due to lower abandonment. The Ontario Wheat Producers' Marketing Board's estimated pool return for No.1 CEWW wheat is \$150-160/t, \$15/t above 2001-02.

DURUM

Production is forecast to rise by 54%, due to higher expected area seeded and yields. This will be largely offset by a 55% drop in carry-in stocks, so that supplies will rise only marginally. Exports, however, are forecast to decline by 0.1 Mt, due to increased competition from other exporters. Carry-out stocks are projected to increase by 14%, to 1.6 Mt, but remain below the 10-year average of 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$237/t, \$1/t higher than forecast last month, but down \$10/t from 2001-02. The premium over No.1 CWRS 11.5% is forecast at \$44/t, vs. \$43/t last year.

BARLEY

Barley production is forecast to increase due to higher expected seeded area, lower abandonment and higher yields. Increased

supplies are expected to result in higher feed use and increased exports of feed barley and malting barley. Carry-out stocks are forecast to increase, but remain below the five year average. Off-Board feed barley prices are expected to decrease sharply. The CWB PRO for No.1 CW Feed Barley is \$144/t, down from the 2001-02 PRO of \$180/t. The CWB PRO for Special Select Two Row designated barley is \$184/t, down from the 2001-02 PRO of \$213/t due to increased North American supplies and strong offshore competition.

OATS

Production is forecast to rise sharply, due to higher expected seeded area, lower abandonment, and improved yields. Exports are expected to increase due to the larger supplies. Carry-out stocks are expected to rise. Prices are forecast to fall sharply to \$120-150/t, largely due to increased world production in Canada, the US, and the EU. Oats are expected to be priced competitively with other feed grains.

CORN

Corn production is forecast to rise sharply, due to higher expected area seeded and yields in Eastern Canada are projected to increase. Imports are expected to fall sharply, due to higher barley production in Western Canada and higher corn production in Eastern Canada. Feed use of corn is also expected to decline, as a result of larger supplies of barley in Western Canada. Carry-out stocks are forecast to increase slightly. Chatham corn prices are forecast to decrease by about \$10/t to \$105-135/t, due to higher domestic corn supplies.

CANOLA

Area seeded is expected to increase marginally, but will remain 20% below the 5 year average. Production is expected to rise by 5%, as a return to near-normal yields supplements the increase in harvested area. Supplies are forecast to decrease marginally, as lower carry-in stocks

more than offsets the rise in output. Domestic crush is expected to remain stable, while exports are projected to rise slightly. Carry-out stocks are forecast to fall by 20%, but remain adequate. Prices are expected to decrease slightly, as support from low Canadian supplies is more than offset by low US soybean and low world palm oil prices.

FLAXSEED (excluding solin)

Area seeded is expected to decrease slightly and will remain 13% below the 5 year average. Production is expected to increase by 11%, as yields return to near-normal levels, but supplies are forecast to increase by only 3% due to low carry-in stocks. Exports are forecast to rise, due to increased demand from minor importers. Carry-out stocks are expected to decline, supporting a slight increase in average prices.

SOYBEANS

Total area seeded in Canada is expected to decrease slightly although it continues to increase in Manitoba. Production is forecast to rise by 65% due to a return to normal growing conditions, but supplies are forecast to increase by only 13% due to lower imports. Domestic crush is expected to be unchanged, while exports rise significantly from the lows of 2001-02. Prices are forecast to decline slightly, due to high US and South American production expected for 2002-03.

FURTHER INFORMATION:

Wheat...Glenn Lennox.....(204) 983-8465
E-maillennoxg@em.agr.ca
Coarse Grains...Dennis Jackson..... 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman.....984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

April 29, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use thousand metric tonnes | Feed, Waste & Dockage | Total Dom- estic Use (d) | Carry-out Stocks | Average Price (e) \$/t |
|----------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|--|--------------------------|-----------------------------|---------------------|------------------------------|
| Durum | | | | | | | | | | | |
| 2000-2001 | 2,614 | 2.16 | 5,647 | 10 | 7,432 | 3,486 | 270 | 590 | 1,074 | 2,873 | 242.61 |
| 2001-2002f | 2,100 | 1.45 | 3,055 | 10 | 5,938 | 3,700 | 270 | 338 | 838 | 1,400 | 247 * |
| 2002-2003f | 2,355 | 2.00 | 4,715 | 10 | 6,125 | 3,600 | 275 | 420 | 925 | 1,600 | 237 * |
| Wheat Except Durum | | | | | | | | | | | |
| 2000-2001 | 8,349 | 2.53 | 21,157 | 50 | 27,171 | 13,263 | 2,822 | 3,858 | 7,573 | 6,335 | 182.41 |
| 2001-2002f | 8,958 | 2.03 | 18,228 | 60 | 24,623 | 12,200 | 2,850 | 3,770 | 7,423 | 5,000 | 204 * |
| 2002-2003f | 8,190 | 2.38 | 19,525 | 10 | 24,535 | 11,900 | 2,875 | 3,900 | 7,635 | 5,000 | 193 * |
| All Wheat | | | | | | | | | | | |
| 2000-2001 | 10,963 | 2.44 | 26,804 | 60 | 34,604 | 16,749 | 3,091 | 4,449 | 8,647 | 9,208 | |
| 2001-2002f | 11,059 | 1.92 | 21,282 | 70 | 30,560 | 15,900 | 3,120 | 4,108 | 8,260 | 6,400 | |
| 2002-2003f | 10,545 | 2.30 | 24,240 | 20 | 30,660 | 15,500 | 3,150 | 4,320 | 8,560 | 6,600 | |
| Barley | | | | | | | | | | | |
| 2000-2001 | 4,551 | 2.96 | 13,468 | 40 | 16,346 | 2,639 | 360 | 10,456 | 11,253 | 2,454 | 128.85 |
| 2001-2002f | 4,354 | 2.61 | 11,355 | 100 | 13,909 | 1,700 | 360 | 9,894 | 10,709 | 1,500 | 150-160 |
| 2002-2003f | 4,880 | 2.95 | 14,400 | 40 | 15,940 | 2,400 | 360 | 10,500 | 11,290 | 2,250 | 125-155 |
| Corn | | | | | | | | | | | |
| 2000-2001 | 1,088 | 6.27 | 6,827 | 2,872 | 11,251 | 100 | 2,145 | 8,092 | 10,271 | 880 | 120.04 |
| 2001-2002f | 1,233 | 6.60 | 8,171 | 3,000 | 12,051 | 200 | 2,200 | 8,869 | 11,101 | 750 | 120-130 |
| 2002-2003f | 1,330 | 7.41 | 9,860 | 1,000 | 11,610 | 300 | 2,250 | 8,153 | 10,435 | 875 | 105-135 |
| Oats | | | | | | | | | | | |
| 2000-2001 | 1,299 | 2.61 | 3,389 | 8 | 4,519 | 1,759 | 115 | 1,630 | 1,920 | 840 | 114.49 |
| 2001-2002f | 1,282 | 2.16 | 2,769 | 50 | 3,659 | 1,525 | 115 | 1,436 | 1,734 | 400 | 195-205 |
| 2002-2003f | 1,690 | 2.45 | 4,135 | 5 | 4,540 | 1,700 | 125 | 1,696 | 1,989 | 851 | 120-150 |
| Rye | | | | | | | | | | | |
| 2000-2001 | 115 | 2.27 | 260 | 5 | 426 | 89 | 66 | 166 | 248 | 88 | |
| 2001-2002f | 102 | 1.90 | 194 | 5 | 287 | 75 | 41 | 100 | 162 | 50 | |
| 2002-2003f | 114 | 2.11 | 240 | 5 | 295 | 85 | 51 | 90 | 160 | 50 | |
| Mixed Grains | | | | | | | | | | | |
| 2000-2001 | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002f | 133 | 2.79 | 371 | 0 | 371 | 0 | 0 | 371 | 371 | 0 | |
| 2002-2003f | 150 | 2.90 | 435 | 0 | 435 | 0 | 0 | 435 | 435 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 2000-2001 | 7,181 | 3.39 | 24,327 | 2,925 | 32,924 | 4,588 | 2,686 | 20,725 | 24,075 | 4,262 | |
| 2001-2002f | 7,105 | 3.22 | 22,859 | 3,155 | 30,277 | 3,500 | 2,716 | 20,670 | 24,077 | 2,700 | |
| 2002-2003f | 8,164 | 3.56 | 29,070 | 1,050 | 32,820 | 4,485 | 2,786 | 20,874 | 24,309 | 4,026 | |
| Canola | | | | | | | | | | | |
| 2000-2001 | 4,816 | 1.48 | 7,126 | 224 | 9,507 | 4,838 | 3,013 | 570 | 3,615 | 1,054 | 290.70 |
| 2001-2002f | 3,886 | 1.30 | 5,062 | 250 | 6,366 | 2,700 | 2,500 | 371 | 2,916 | 750 | 345-365 |
| 2002-2003f | 3,942 | 1.35 | 5,325 | 250 | 6,325 | 2,800 | 2,500 | 380 | 2,925 | 600 | 335-365 |
| Flaxseed | | | | | | | | | | | |
| 2000-2001 | 591 | 1.17 | 693 | 11 | 1,090 | 613 | n/a | n/a | 204 | 273 | 261.03 |
| 2001-2002f | 652 | 1.08 | 702 | 10 | 985 | 625 | n/a | n/a | 135 | 225 | 300-320 |
| 2002-2003f | 629 | 1.24 | 780 | 10 | 1,015 | 700 | n/a | n/a | 115 | 200 | 310-340 |
| Soybeans | | | | | | | | | | | |
| 2000-2001 | 1,061 | 2.55 | 2,703 | 431 | 3,386 | 747 | 1,697 | 693 | 2,459 | 180 | 256.09 |
| 2001-2002f | 1,031 | 1.53 | 1,582 | 1,000 | 2,762 | 450 | 1,700 | 442 | 2,212 | 100 | 245-265 |
| 2002-2003f | 975 | 2.68 | 2,610 | 400 | 3,110 | 800 | 1,700 | 440 | 2,210 | 100 | 235-265 |
| Total Oilseeds | | | | | | | | | | | |
| 2000-2001 | 6,468 | 1.63 | 10,522 | 666 | 13,983 | 6,198 | 4,710 | 1,264 | 6,278 | 1,507 | |
| 2001-2002f | 5,568 | 1.32 | 7,346 | 1,260 | 10,113 | 3,775 | 4,200 | 813 | 5,263 | 1,075 | |
| 2002-2003f | 5,546 | 1.57 | 8,715 | 660 | 10,450 | 4,300 | 4,200 | 820 | 5,250 | 900 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 2000-2001 | 24,612 | 2.51 | 61,653 | 3,651 | 81,511 | 27,535 | 10,487 | 26,437 | 38,999 | 14,977 | |
| 2001-2002f | 23,731 | 2.17 | 51,488 | 4,485 | 70,950 | 23,175 | 10,036 | 25,590 | 37,600 | 10,175 | |
| 2002-2003f | 24,255 | 2.56 | 62,025 | 1,730 | 73,930 | 24,285 | 10,136 | 26,014 | 38,119 | 11,526 | |

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% protein (CWB final price I/S St. Lawrence/Vancouver); Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (US No. 2 Heavy, CBoT nearby futures); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* March CWB PRO for 2001-02 and April PRO for 2002-03.

f: forecast, Agriculture and Agri-Food Canada, April 29, 2002

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

Area seeded to pulse and special crops for 2002-03 in Canada is forecast to decrease by 5%, as a higher seeded area for dry beans, mustard seed, canary seed, sunflower seed and buckwheat, is more than offset by a lower area for dry peas, lentils and chick peas. Statistics Canada's (STC) seeding intentions survey, conducted during the period of March 23-31 and released on April 24, provided estimates of areas seeded for most of the pulse and special crops by province but, in some cases, the area seeded has been forecast by AAFC. The actual seeded area may differ due to changes in market outlook, expected prices, spring weather conditions, as well as producer reaction to the STC seeding intentions report. To date, only a small amount of seeding has been completed. It is assumed that precipitation will be normal for the spring and summer. However, for Alberta and Saskatchewan, due to the poor soil moisture reserves in most areas, yields are forecast to be below trend, but significantly higher than in 2001-02. For Manitoba and Eastern Canada, trend yields are assumed. In general, it has been assumed that an increased portion of the area seeded will be harvested. Although precipitation has improved in March and April, the main factor to watch will be precipitation in western Canada during the spring and summer. The US Farm Bill has not been finalized to date. However, due to the late date, it has been assumed that there would be no significant impact on the US seeded area for dry peas, lentils and chick peas for 2002-03, if these crops are included under the loan program.

For 2002-03, total pulse and special crops production is forecast to increase by 24%, compared to 2001-02, to 4.7 million tonnes (Mt). Total supply is expected to increase by only 13% because of lower carry-in stocks. Total exports and domestic use are forecast to increase due to the higher supply and strong demand, resulting in lower carry-out stocks. Average prices, compared to 2001-02, are forecast to increase for lentils and sunflower seed, decrease for dry peas, dry beans, chick peas, mustard seed and canary seed, and be similar for buckwheat. However, prices are expected to be very sensitive to any production problems in Canada and importing and other exporting countries, due to low world carry-in stocks.

DRY PEAS

For 2002-03, production is forecast to increase by 20%, as a 10% decrease in seeded area is more than offset by higher yields. Total supply is forecast to increase by 17% because of lower carry-in stocks. Total world supply is expected to be similar to 2001-02 at 11.1 Mt. Canadian exports are forecast to increase, with a larger portion going into the feed market as demand in the food market is expected to decrease because of better domestic pulse crops supply in India. Carry-out stocks are forecast to remain low with a stocks-to-use (s/u) ratio of 5%. Prices are expected to be pressured by lower protein meal and feed grain prices, lower food market demand and higher Canadian supply. The average price, over all types, grades and markets, is forecast to decrease 10-15%, as compared to 2001-02.

LENTILS

Production is forecast to increase by 15%, as a 21% decrease in seeded area is more than offset by higher yields. Total supply is forecast to be similar to 2001-02 due to lower carry-in stocks. Total world supply is expected to decrease slightly to 3.7 Mt. Canadian exports are expected to increase slightly due to growing world demand. Carry-out stocks are forecast to decrease, with a s/u ratio of 8%. The average price, over all types and grades, is forecast to increase slightly, due to the higher world demand.

DRY BEANS

Production is forecast to increase by 37%, due to a 29% increase in seeded area, a lower abandonment rate and higher yields. Production of white pea beans is forecast to increase by 70% to 170,000 t, while production of coloured beans increases by 16% to 180,000 t. Total supply is expected to increase by only 13% because of lower carry-in stocks. Exports are forecast to increase because of the larger supply and strong demand, and carry-out stocks are expected to remain at a low level, with a s/u ratio of 4%. US

production is expected to increase by 40%.

Total US and Canadian supply is expected to increase by only 10%, due to lower carry-in stocks. The average price, over all classes and grades, is forecast to decrease by 15-20% because of increased supply.

CHICK PEAS

Production is forecast to decrease by 5%, as a 25% decrease in seeded area is partly offset by higher yields. Production of the desi type is forecast to increase, while production of the large and small kabuli types decreases. Total Canadian supply is forecast to increase by 5% due to higher carry-in stocks. Total world supply is expected to decrease slightly to 8 Mt. Canadian exports are forecast to increase as Canada's share of total world supply increases. Carry-out stocks are forecast to decrease, with a s/u ratio of 15%. Lower production is expected to support prices of the large kabuli type, while higher supply in India is expected to pressure prices of the desi and small kabuli types. The average price over all types, sizes and grades is forecast to decrease slightly.

MUSTARD SEED

Production is forecast to increase by 180% due to a 110% increase in seeded area and higher yields. Total supply is forecast to increase by only 35%, due to lower carry-in stocks. Exports are expected to increase because of the higher supply. Carry-out stocks are forecast to remain low, with a s/u ratio of 11%. The average price, over all types and grades, is forecast to decrease by about 30% because of increased supply.

CANARY SEED

Production is forecast to increase by 107%, due to a 36% increase in seeded area and higher yields. Total supply is forecast to increase by only 20%, due to lower carry-in stocks. Total world supply is forecast to increase by 20% to 261,000 t. Exports are expected to increase, because of the higher supply. Carry-out stocks

are forecast to remain very low. The average price is forecast to decrease by 35-40% because of increased supply.

SUNFLOWER SEED

Production is forecast to increase by 43%, due to a 33% in seeded area and higher yields. Confectionary sunflower seed production is expected to increase by 30% to 100,000 t, while oil sunflower seed production is expected to nearly double to 40,000 t. Total supply is forecast to increase by only 7% because of lower carry-in stocks. Exports are expected to remain stable, while domestic use increases in line with the growing domestic bird seed and confectionary processing industries. Carry-out stocks are forecast to remain low, with a s/u ratio of 7%. Total world supply is expected to increase by 3% to 22.8 Mt. Total US and Canadian supply of the confectionary type is expected to decrease significantly, while the total supply for the oilseed type decreases only slightly. The lower total US and Canadian supply is expected to support prices for the confectionary type, while higher world supply is expected to pressure prices for the oilseed type. Therefore, the average price in Canada, over both confectionary and oilseed types, is forecast to increase slightly because of stronger prices for the confectionary type.

BUCKWHEAT

Production is forecast to increase by 7%, due to a higher seeded area. Total use is forecast to increase. The average price over all grades and markets is forecast to be the same as in 2001-02, in line with stable world total supply of about 3.4 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972

E-mail skrypetz@em.agr.ca

Fred Oleson, Chief(204) 983-0807

E-mail olesonf@em.agr.ca

www.agr.gc.ca/mad-dam/

LAMAD/OUTLOOKS&D/SpCrops/2002/apr2002seeb.wpd

CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

April 29, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Carry-out Stocks | Average Price (e) \$/t |
|--|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|---------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 | 1,220 | 2.35 | 2,864 | 12 | 3,276 | 2,192 | 889 | 195 | 138 |
| 2001-2002f | 1,394 | 1.58 | 2,196 | 15 | 2,406 | 1,500 | 756 | 150 | 170-190 |
| 2002-2003f | 1,280 | 2.07 | 2,645 | 15 | 2,810 | 1,800 | 880 | 130 | 140-170 |
| Lentils | | | | | | | | | |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 | 688 | 1.33 | 914 | 5 | 999 | 550 | 243 | 206 | 295 |
| 2001-2002f | 691 | 0.85 | 585 | 5 | 796 | 525 | 161 | 110 | 300-320 |
| 2002-2003f | 570 | 1.18 | 675 | 5 | 790 | 540 | 190 | 60 | 305-335 |
| Dry Beans | | | | | | | | | |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 | 165 | 1.62 | 268 | 40 | 348 | 227 | 71 | 50 | 465 |
| 2001-2002f | 150 | 1.70 | 255 | 25 | 330 | 260 | 65 | 5 | 695-715 |
| 2002-2003f | 202 | 1.73 | 350 | 20 | 375 | 280 | 80 | 15 | 570-600 |
| Chick Peas | | | | | | | | | |
| 1998-1999 | 40 | 1.33 | 53 | 2 | 56 | 14 | 37 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 | 283 | 1.37 | 388 | 5 | 408 | 179 | 199 | 30 | 410 |
| 2001-2002f | 476 | 0.98 | 465 | 8 | 503 | 240 | 178 | 85 | 375-395 |
| 2002-2003f | 360 | 1.22 | 440 | 5 | 530 | 270 | 190 | 70 | 355-385 |
| Mustard Seed | | | | | | | | | |
| 1998-1999 | 279 | 0.86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 | 208 | 0.97 | 202 | 1 | 318 | 151 | 67 | 100 | 280 |
| 2001-2002f | 132 | 0.67 | 89 | 1 | 190 | 135 | 50 | 5 | 590-610 |
| 2002-2003f | 282 | 0.89 | 250 | 1 | 256 | 165 | 66 | 25 | 395-425 |
| Canary Seed | | | | | | | | | |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 | 164 | 1.04 | 171 | 0 | 261 | 170 | 21 | 70 | 265 |
| 2001-2002f | 140 | 0.66 | 92 | 0 | 162 | 140 | 17 | 5 | 630-650 |
| 2002-2003f | 196 | 0.97 | 190 | 0 | 195 | 165 | 25 | 5 | 380-410 |
| Sunflower Seed | | | | | | | | | |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 | 69 | 1.72 | 119 | 18 | 178 | 77 | 70 | 31 | 320 |
| 2001-2002f | 63 | 1.56 | 98 | 20 | 149 | 80 | 64 | 5 | 335-355 |
| 2002-2003f | 86 | 1.63 | 140 | 15 | 160 | 80 | 70 | 10 | 340-370 |
| Buckwheat | | | | | | | | | |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 | 15 | 0.93 | 14 | 1 | 16 | 9 | 7 | 0 | 305 |
| 2001-2002f | 12 | 1.17 | 14 | 1 | 15 | 8 | 7 | 0 | 310-330 |
| 2002-2003f | 13 | 1.15 | 15 | 1 | 16 | 9 | 7 | 0 | 305-335 |
| Total Pulse and Special Crops (c) | | | | | | | | | |
| 1998-1999 | 2,156 | 1.70 | 3,660 | 109 | 4,301 | 2,634 | 1,036 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 | 2,812 | 1.76 | 4,940 | 82 | 5,804 | 3,555 | 1,567 | 682 | |
| 2001-2002f | 3,058 | 1.24 | 3,794 | 75 | 4,551 | 2,888 | 1,298 | 365 | |
| 2002-2003f | 2,989 | 1.57 | 4,705 | 62 | 5,132 | 3,309 | 1,508 | 315 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, April 29, 2002.

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday April 22, 2002

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL-FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|--------|--------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| Vancouver B.C. | This week | FOB | 183.16 | N/A | 177.16 | 168.00 | | 333.25 | (7) 250.13 | 152.00 | 330.00 | (4) 880.00 | 450.00 | | | | 450.00 |
| | Week ago | | 183.16 | N/A | 177.16 | 169.00 | | 323.50 | (7) 246.00 | 152.00 | 335.00 | (4) 880.00 | 450.00 | | | | 450.00 |
| Calgary | This week | FOB | 160.00 | N/A | 154.00 | 155.00 | | 324.00 | N/A | | 290.00 | (4) 930.00 | 485.00 | | | | 440.00 |
| | Week ago | | 160.00 | N/A | 154.00 | 157.00 | | 314.50 | N/A | | 295.00 | (4) 930.00 | 485.00 | | | | 440.00 |
| Saskatoon | This week | FOB | 155.50 | 240.00 | 138.50 | 152.00 | | 318.50 | 237.11 | | 290.00 | (4) N/A | 485.00 | | 185.00 | | 470.00 |
| Sask. | Week ago | | 155.50 | 240.00 | 138.50 | 152.00 | | 308.00 | 232.00 | | 295.00 | (4) N/A | 485.00 | | 185.00 | | 470.00 |
| Melfort | This week | FOB | 165.50 | 190.89 | 138.00 | | | | | | | | | | | | |
| | Week ago | | 163.80 | 221.09 | 137.80 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 167.00 | 210.27 | 141.82 | 141.00 | | 301.50 | 227.00 | | 305.00 | (4) 875.00 | 420.00 | | | | 415.00 |
| | Week ago | | 167.00 | 222.85 | 142.52 | 141.00 | | 291.00 | 222.00 | | 305.00 | (4) 875.00 | 420.00 | | | | 415.00 |
| Thunder Bay | This week | In-store | 170.50 | 211.72 | (8) 147.00 | | | | | | | | | | | | |
| | Week ago | | 168.80 | 242.03 | (8) 146.80 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 125.78 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 126.74 | | | | | | | | | | | |
| Bay Ports | This week | In-store | 190.50 | 320.00 | N/A | | | | | | | | | | | | |
| | Week ago | | N/A | 330.00 | N/A | | | | | | | | | | | | |
| Chatham Ont. | Week ago | Track | | | | 138.67 | | | | | | | | | | | |
| | This week | N/A | | | | 136.90 | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | | 303.79 | N/A | | 317.00 | (5) N/A | 430.00 | 415.00 | 135.00 | 270.00 | 350.00 |
| | Week ago | | | | | | | 297.84 | N/A | | | | | | | | |
| Eastern Ontario | Week ago | FOB | | | | 139.00 | | | | | | | | | | | |
| | This week | FOB | | | | 141.00 | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Trois-Riv. Que. | Week ago | In-store | 195.50 | | 181.00 | 150.58 | | | | | | | | | | | |
| | This week | | 193.80 | | 180.90 | 151.07 | | | | | | | | | | | |
| St-Jean,Que. | This week | FOB | 170.25 | 195.00 | 161.33 | (2) 141.82 | | | | | | | | | | | |
| | Week ago | | 171.90 | 192.67 | 159.93 | (2) 142.41 | | | | | | | | | | | |
| St-Hyacinthe,Que. | This week | In-store | 202.00 | | 178.33 | 149.50 | FOB | 317.02 | | | | | | | | | |
| | Week ago | | 197.47 | | 181.80 | 149.70 | | 311.44 | | | | | | | | | |
| Quebec | This week | Track | 224.42 | 251.62 | 204.77 | 180.03 | FOB | 348.05 | 284.40 | | | | | | | | 380.00 |
| | Week ago | | 218.55 | 251.49 | 204.07 | 179.59 | | 342.54 | 286.43 | | | | | | | | 380.00 |
| N.S. | This week | Water | 218.60 | N/A | N/A | N/A | | | | | | | | | | | |
| | Week ago | & Truck | N/A | N/A | N/A | N/A | | | | | | | | | | | |
| Truro N.S. | Week ago | In-store | 209.60 | N/A | N/A | N/A | FOB | | | | | | | | | | |
| | This week | | N/A | N/A | N/A | N/A | | | | | | | | | | | |
| Halifax N.S. | Week ago | | | | | | | | | | | | | | | | |
| | This week | | | | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5728 as of April 22, 2002

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat - No.1 Feed Oats - No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn - No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley (8) Futures WCE

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday April 22, 2002

| PRAIRIE GRAINS | | | | | | | |
|-----------------------------|---------------------------------|---------------|---------------|---------------|------------|---------------|---------------|
| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay 2 | In-Store | WHEAT | 167.50 | 165.80 | | 167.60 | 136.00 |
| CBOT | | OATS | 211.72 | 242.03 | | 301.43 | 128.35 |
| LETHBRIDGE | | BARLEY | 150.70 | 150.00 | | 155.30 | N/A |
| To: Bayports, Ont. | In-store | WHEAT | 190.60 | 188.90 | 1. | 196.72 | 159.10 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 177.85 | 177.15 | 1. | 189.34 | N/A |
| Montreal, Que. | In-store | WHEAT | 195.35 | 193.65 | 1. | 201.79 | 163.85 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 182.97 | 182.27 | 1. | 195.64 | N/A |
| Moncton, N.B | Truck via Halifax | WHEAT | 217.82 | 216.12 | | 224.16 | 186.32 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 209.33 | 208.63 | | 221.11 | N/A |
| Truro, N.S. | Truck via Halifax | WHEAT | 215.32 | 213.62 | | 221.66 | 183.82 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 204.45 | 203.75 | | 216.23 | N/A |
| Halifax, N.S. | In-store | WHEAT | 202.65 | 200.95 | 1. | 208.99 | 171.15 |
| | | OATS | N/A | N/A | 1.0 | N/A | N/A |
| | | BARLEY | 190.77 | 190.07 | 1.0 | 202.56 | N/A |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 262.43 | 260.73 | | 262.53 | 230.93 |
| | | OATS | 317.92 | 348.23 | | 407.63 | 234.55 |
| | | BARLEY | 257.84 | 257.14 | | 262.44 | N/A |
| From: Melfort, Sask. | FOB | WHEAT | 165.50 | 163.80 | | 158.60 | 132.00 |
| | | OATS | 190.89 | 221.09 | | 280.57 | 111.34 |
| | | BARLEY | 138.00 | 137.80 | | 141.40 | 121.60 |
| To: Bayports, Ont. | Track | WHEAT | 214.65 | 212.95 | | 207.75 | 188.12 |
| | | OATS | 247.78 | 277.98 | | 337.46 | 170.21 |
| | | BARLEY | 187.70 | 187.50 | | 191.10 | 174.99 |
| Montreal, Que. | Track | WHEAT | 215.41 | 213.71 | | 208.51 | 188.87 |
| | | OATS | 251.50 | 281.70 | | 341.18 | 171.11 |
| | | BARLEY | 188.52 | 188.32 | | 191.92 | 175.81 |
| Moncton, N.B. | Track | WHEAT | 243.69 | 241.99 | | 236.79 | 210.05 |
| | | OATS | 275.78 | 305.98 | | 365.46 | 194.45 |
| | | BARLEY | N/A | N/A | | N/A | 187.92 |
| Truro, N.S. | Track | WHEAT | 241.88 | 240.18 | | 234.98 | 210.22 |
| | | OATS | 276.79 | 306.99 | | 366.47 | 195.42 |
| | | BARLEY | N/A | N/A | | N/A | 201.54 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 288.94 | 287.24 | | 282.04 | 253.56 |
| | | OATS | 326.07 | 356.27 | | 415.75 | 242.80 |
| | | BARLEY | N/A | N/A | | N/A | 249.83 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|------------|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 125.78 | 126.74 | | 128.33 | 122.13 |
| To: Montreal, Que. (US Corn) | In-store | | 144.68 | 145.64 | 1.0 | 153.87 | 141.03 |
| From: Chicago (Mi) | Track | | 129.49 | 131.11 | | 130.82 | 113.01 |
| To: Montreal, Que. (US Corn) | Track | | 158.52 | 160.14 | | 159.85 | 140.55 |
| From: Chatham | Track | | 138.67 | 136.90 | | 137.30 | 131.10 |
| To: Montreal, Que. | Track | | 162.05 | 160.28 | | 160.68 | 153.99 |

| | | | | | | | |
|-----------------------------------|---------------------------------|--|---------------|---------------|--|---------------|---------------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 303.79 | 297.84 | | 299.27 | 289.68 |
| To: Montreal, Que. | Track | | 328.21 | 322.26 | | 323.69 | 312.15 |
| Moncton, N.B. | Track | | 351.42 | 345.47 | | 346.90 | 329.46 |
| Truro, N.S. | Track | | 350.25 | 344.30 | | 345.73 | 332.43 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 399.05 | 393.10 | | 394.53 | 381.69 |

- Prices include ONE month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Bi-weekly Bulletin

May 10, 2002 Volume 15 Number 8

VENEZUELA

The total value of exports of Canadian grains and special crops, mostly wheat and durum, to Venezuela was over \$400 million (M) in 2000-2001. Canadian exports of grains and special crops to Venezuela are expected to increase in 2001-2002 and remain strong for 2002-2003. Venezuela is one of the countries with which Canada hopes to increase trade through the Free Trade Area of the Americas (FTAA) negotiations. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Canada's exports of grains and special crops to Venezuela.

AGRICULTURAL POLICY DEVELOPMENT

The Venezuelan agricultural industry is competitive domestically in a number of areas, however, problems have arisen in recent years with the industry's ability to supply its domestic requirements. Traditionally, agriculture has been heavily subsidized, with a number of price protection policies in place to ensure the security of the small farmer. Since 1993, the industry has been forced to become more competitive due to cheaper, quality imports as the government pushed to meet the demands of the World Trade Organization (WTO).

The government of Venezuela announced a Special Agricultural Production Loan Program (*Programa Especial de Financiamiento Agrícola - PEFA*) in 1996, to benefit small and medium size producers. The program covers the country's two crop seasons (winter crop: May to September and summer crop: October to December). The PEFA includes all commodities except livestock and poultry.

The Venezuelan government announced its National Agricultural Development Plan on February 8, 2000. The plan has attempted to turn around the country's current status as a net food importer, increase arable area and generate employment. It is expected to diversify the Venezuelan economy, which has been

| VENEZUELA: ECONOMIC STATISTICS | | | | | | |
|--------------------------------|------|------|------|------|-------|-------|
| | 1997 | 1998 | 1999 | 2000 | 2001e | 2002f |
| Population (mln) | 22.8 | 23.2 | 23.7 | 24.2 | 24.7 | 25.0 |
| Real GDP (% change) | 6.5 | -0.7 | -6.1 | 3.2 | 2.7 | 1.8 |
| Exchange Rate (Bolivars/US\$) | 488 | 547 | 606 | 680 | 724 | |

e: estimate and f: forecast, AAFC, May 2002
Source: FAO, IMF, USDA

highly oil dependant. The budget for this policy was 731 billion Bolivars (US\$1.1 billion) and has focussed on three specific areas, food processing, rural development and food security.

TRADE AGREEMENTS

Venezuela joined the General Agreement on Tariffs and Trade (GATT) in 1990, and is a founding member of the WTO. The country's trade diversification efforts have been helped by its membership in a number of Latin American and Caribbean trade

associations that provide tariff free or reduced tariff access to member countries' markets.

Venezuela is a member of *The Andean Pact* consisting of Bolivia, Columbia, Ecuador, and Peru. Venezuela joined in 1973 and participates in the group's free trade zone. Venezuela adopted the Andean Community agricultural price band system in May 1995. This is a system of variable *ad valorem* tariffs that are applied to bulk commodity imports from countries other than those of the

FREE TRADE AREA OF THE AMERICAS (FTAA)

The FTAA negotiations envisage the creation of a comprehensive hemispheric free trade area, made up of the 34 democratic countries of North, Central and South America and the Caribbean. Canada's position is to work to achieve access for Canadian Agri-food products to markets of the other FTAA participants, including Venezuela, on terms more favorable than is likely to be possible in the WTO. If negotiations have not yet begun, as parties have yet to agree on the Methods and Modalities for these negotiations. As is consistent with Canada's position in the WTO, Canada remains committed to maintaining the ability to choose how to market agricultural products, including through orderly marketing systems such as supply management and the CWB.

The FTAA Trade Negotiation Committee is meeting May 12-14, 2002 to attempt to reach a consensus on the Methods and Modalities for tariff negotiations in the FTAA.

Canada

MAY 16 2002

Andean Community. This system tracks the estimated landed price of specific "marker" commodities. If marker prices fall outside the established price band, the *ad valorem* tariff for the commodity and the related products is adjusted upward or downward. The in quota duty for oilseeds and products is 40% and is 30% for all wheat. Once the quota is exceeded, the product is subject to the tariff established by the Andean price band system, and may be changed every two weeks.

In addition to being a member of *The Andean Pact*, Venezuela has bilateral agreements with Argentina, signed in 2000, and Brazil, signed in 1999, as part of the Partial Scope Economic Complementation Agreements. These agreements provide preferential tariffs for vegetable oils and oilseeds. Preferential tariffs are applied as discounts to tariffs on imports that exceed the tariff rate quota (TRQ). Brazil and Argentina have discounts of 50% and 60%, respectively off all oilseeds and oil products tariffs.

SITUATION AND OUTLOOK

WHEAT

Wheat production in Venezuela is very small, largely due to the climate and topography. Weather conditions and returns per acre are more suitable for corn, rice, and sorghum. Wheat consumption has been between 0.9-1.1 million tonnes (Mt) for the past 10 years which, given the annual population growth of about 1.0%, reflects a decline in per capita bread consumption. For 2001-2002, wheat consumption is forecast to remain unchanged from 2000-2001, at 1.0 Mt, and will be met by imports.

Venezuelan millers traditionally buy high quality, high protein wheat which has given Canada an advantage over other suppliers. However, the composition of the other imported wheat has varied over the last three years. In order to produce a lower cost flour, millers have been forced to shift wheat imports toward Hard Red Winter Wheat (HRW) and blend cheaper, lower quality wheat from other sources with higher quality wheat from Canada. With the Venezuelan milling industry's shift to lower protein bread wheats, Canada has increased sales of Canada Prairie Spring Wheat (CPS) wheat varieties to compete with United States (US) exports of HRW wheat. For 2001-2002, Canadian wheat exports to Venezuela are forecast to rise to 0.65 Mt.

Traditionally, Argentina had a small market share in Venezuela, due to the lower quality wheat they produce and competition from US Gulf prices, with annual exports of between 30,000-50,000 tonnes (t). The TRQ for all wheat is 1.27 Mt paying a 30% tariff, and most wheat enters under the TRQ.

Currently, per capita wheat consumption in Venezuela is about 47 kilograms (kg) versus 90 kg in North America. An increase in consumption to 50 kg per capita would require an additional 0.1 Mt of wheat. However, since 1999, the government of Venezuela has encouraged consumption of domestically produced rice instead of imported wheat. Among the alternatives that have been considered to achieve this goal are to put an additional tariff on wheat imports or to reduce the import quota.

Venezuela has about 15 flour mills concentrated around Caracas. There are 3 major milling companies accounting for 75% of the wheat processing.

About 50% of wheat consumed annually is used to make bread, rolls and other wheat products, while the other 50% is used to make pasta.

For 2002-2003, wheat consumption is forecast to remain similar to 2001-2002 and as a result, imports (July/June) are expected to remain unchanged at 1.1 Mt. Canadian wheat exports (August/July) are expected to remain high at 0.65 Mt, unchanged from 2001-2002.

DURUM

For 2001-2002, durum consumption is forecast at 0.4 Mt, up marginally from 2000-2001 due to the low cost and nutritional value of durum compared to other grains. Venezuela's per capita consumption of pasta is second only to Italy at 14 kg. However, it is important to note that the combination of a stagnant economy and a loss of consumer purchasing power has meant that companies involved in pasta production as well as

VENEZUELA: CROPS

| Oct.-Sept. crop year** | 1999 -2000 | 2000 -2001 | 2001 -2002f | 2002 -2003f |
|---------------------------|---------------------------|---------------|----------------|----------------|
| |thousand tonnes..... | | | |
| Wheat | | | | |
| Consumption | 846 | 1,000 | 1,000 | 1,000 |
| Imports | 996 | 1,044 | 1,045* | 1,045* |
| Exports | 50 | 59 | 30 | 30 |
| Durum | | | | |
| Consumption | 390 | 350 | 355 | 355 |
| Imports | 390 | 350 | 355* | 355* |
| Soybeans | | | | |
| Production | 33 | 33 | 33 | 33 |
| Corn | | | | |
| Production | 10 | 7 | 10 | 10 |
| Imports | 400 | 209 | 220* | 230* |
| Crush | 405 | 215 | 230 | 238 |
| Corn | | | | |
| Production | 1,300 | 1,450 | 1,500 | 1,500 |
| Consumption | 2,500 | 2,600 | 2,530 | 2,530 |
| Imports | 1,300 | 1,207 | 900* | 900* |

**except wheat (July-June)

* f: forecast, USDA, May 2002

f: forecast, AAFC, May 2002, except where specified

Source: USDA, FAO

millers supplying bakery flour have been forced to shift their wheat imports away from durum toward HRW and CPS wheat in order to reduce costs. Millers are expected to continue to lower raw material costs to be able to provide affordable food products to domestic consumers. As a result, durum imports (July/June) are expected to remain relatively flat for 2001-2002 at 0.36 Mt, the majority from Canada.

For 2002-2003, durum consumption and imports are expected to remain unchanged. Canada is expected to maintain its market share by providing clean, high quality durum. Major pasta manufacturers prefer low dockage durum because it gives them a more efficient grind and less waste. Canadian durum is often cleaned twice, as part of the normal export process at the country elevator and at the port, which removes the small, shrunken and broken kernels, and

CANADIAN EXPORTS TO VENEZUELA

| Aug. - July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002f | 2002 -2003f |
|--------------------------|---------------------------|---------------|---------------|----------------|----------------|
| |thousand tonnes..... | | | | |
| Wheat | 410 | 482 | 473 | 650 | 650 |
| Durum | 248 | 359 | 313 | 320 | 320 |
| Oat & oat products* | 29 | 9 | 12 | 13 | 14 |
| Canary seed | 3 | 5 | 7 | 6 | 7 |
| Dry beans | 3 | 3 | 7 | 7 | 8 |
| Lentils | 13 | 15 | 17 | 17 | 19 |
| Dry peas | 14 | 14 | 14 | 16 | 17 |
| Sunflower seed | 1 | 1 | 1 | 2 | 2 |

*converted to grain equivalent tonnes

f: forecast, AAFC, May 2002

Source: Statistics Canada

eliminates the cleaning process for the Venezuelan millers.

Given the large demand for pasta, the variety and number of brands have increased to a point that pasta is perhaps the item with the largest food retailer shelf space. Venezuelan consumers are attracted by novelty and diversity. The pasta sector has been very creative at satisfying this need. Although the population is relatively small, about 25 M, there are more than 40 types of dry pasta and a growing variety of fresh and frozen pasta products on the market today.

CORN

The two distinct types of corn produced in Venezuela are white corn, used mostly for human consumption and yellow corn, used for feed. Most white corn is milled to produce a pre-cooked corn flour to make a kind of corn bread called "*arepas*," which has been a traditional staple in the Venezuelan diet. In general, total corn flour consumption has been increasing due to declining incomes and its cheaper price relative to other foods. For 2001-2002, consumption is forecast at 2.5 Mt, down marginally from 2000-2001. Per capita consumption of corn is 36 kg versus 13 kg in North America. Feed consumption has been based on imported yellow corn, largely for pork and poultry as most cattle are grass fed.

For 2001-2002, corn production is forecast to rise marginally from last year to 1.5 Mt due to an increase in harvested area. Venezuela had a bumper crop in 1999-2000 which created a surplus. To reduce the surplus the government reached an understanding with the industry. On condition that the industry purchased the excess corn, the government later bought the resulting flour for the Strategic Food Program. This ensured that the flour was distributed among the lower income consumers at a subsidized price.

Traditionally Venezuela imports yellow corn from the US and a small amount from Argentina to meet its domestic demand for feed. The tariff rate for yellow corn is 20% with a TRQ of 583,459 t. For 2001-2002, imports are forecast at 0.9 Mt, down 25% from last year due to the restriction placed on yellow corn imports in September 2001. The restriction comes on top of an agreement the government has with the feed industry to buy any surplus white corn stocks that the flour industry cannot use.

BIOTECHNOLOGY

The government of Venezuela has established a resolution that establishes guidelines for the registry of genetically modified organisms (GMO), which went into effect on January 11, 1999. The Ministry of Production and Commerce through SAPI (Servicio Autonomo de Propiedad Intelectual) is in charge of the research and registration of GMOs in Venezuela. This Ministry, through SENASEM (National Seed Service) is in charge of all testing related to the approval of GMO copyrights. At this time there are no GMOs approved for use in Venezuela.

For 2002-2003, corn production is expected to remain unchanged at 1.5 Mt. Domestic consumption and imports are expected to remain similar to 2001-2002, assuming the ban on corn imports remains.

OATS AND OAT PRODUCTS

Venezuela continues to provide market opportunities for Canadian oat products, which consisted largely of groats and meal prior to 1999-2000. However, Canadian exports of rolled and flaked oats have tripled in the last five years, and in 2000-2001, total Canadian oats and oat product exports to Venezuela totalled 12,000 t (grain equivalent), partly due to the relatively low tariff rate compared to other cereal grains. The tariff rate for oats and oat products is 5%. Venezuela imports oat products for further processing for human consumption. Canada's main competitor is the US, which exports mainly oat groats and meal.

For the next two years, Canadian oat product exports are expected to continue to increase, reaching a projected 14,000 t in 2002-2003.

OILSEEDS

Venezuela is an importer of oilseed and oilseed products, which are all subject to a 40% in-quota duty. Once the quota is exceeded, the product is subject to an over-quota tariff established by the Andean countries. For 2000-2001, the average over-quota tariff for soybeans was about 45%, after the TRQ of 168,963 t was exceeded.

To satisfy its meal and oil requirements, Venezuela imports soybeans and soymeal. For 2001-2002, soybean production is forecast to increase slightly to 10,000 t due to a rise in harvested area. Since 1999-2000, the Venezuelan government has encouraged soybean production, but has not been able to support this with financing or incentives sufficient to persuade producers to shift out of more profitable corn or sorghum production. Considering the higher costs of soybean production, it is more cost

effective to import soymeal than to crush it domestically. Annual soybean crush has decreased nearly 50% to about 0.2 Mt the last two years, which makes up nearly all of the total domestic consumption.

For 2001-2002, Venezuelan soybean imports are forecast at 0.22 Mt, up slightly from last year. Due to tariffs and constraints on the issuing of import licences to end users, imports from South American countries with preferential trade agreements with Venezuela are increasing. The US and Brazil are the largest suppliers of soybeans, but Bolivia has become a major source since the country is not subject to a duty and end users of Bolivian soybeans do not need an import license. US soybean imports are subject to an over-quota tariff of 48%, while Brazilian imports have a 24% over-quota tariff. There is one major crushing facility in Venezuela, and imports are required to continue in order to keep the facility operating.

For 2002-2003, soybean production is forecast to remain unchanged at 10,000 t, however, soybean imports are expected to rise slightly to 0.23 Mt due to an expected increase in animal feed demand.

OILMEAL

For 2001-2002, supplies of soymeal are forecast to fall slightly to 0.83 Mt, due to a decline in imports, while production is expected to remain relatively unchanged at 0.16 Mt. While the volume of soymeal imports have risen steadily since 1996, they are expected to fall by 10%, to 0.6 Mt in 2001-2002, due to a decision by industry to reduce carry-out stocks of soymeal.

The TRQ for soymeal is 696,880 t. While soymeal imports from the US remain low due to the 48% over-quota tariff rate, imports from Bolivia have increased as a result of the 0% duty on soymeal. Soymeal provides one of the primary sources of feed for the pork and poultry industry.

For 2002-2003, supplies of soymeal are forecast to increase marginally to 0.86 Mt, due to an expected rise in production and imports to 0.17 Mt and 0.66 Mt, respectively.

VEGOIL

Venezuelan supplies of vegetable oils are based on soyoil imported mainly from South American countries. Domestic production is mainly composed of African palm oil and limited crushing of soybeans, sunflowerseed and sesame seeds. The African palm trees are not yet mature and are not expected to reach full production capacity until 2006. Annual palm oil and soyoil production is about 60,000 t and 35,000 t, respectively. The domestic industry uses about 60% soyoil which it blends with sunflowerseed oil, sesame and palm oil to produce various local brands.

For 2001-2002, soyoil supplies are forecast to be similar to last year at 0.24 Mt, with imports unchanged at 0.2 Mt. Argentina, Bolivia, and Paraguay are the major suppliers of soyoil due to lower over-quota tariff rates. Soyoil over-quota tariff rates for Argentina and Paraguay are 28% and 2.4%, respectively. North American exports of soyoil are very small due to an over-quota tariff rate of 70%. The TRQ for soyoil is 130,000 t.

For 2002-2003, soyoil supplies are forecast to increase marginally to 0.25 Mt, due to an expected marginal increase in imports, in support of firm domestic demand. Domestic production is not expected to increase in the near future and South American countries will continue to rely on tariff advantages to maintain their market share.

PULSE AND SPECIAL CROPS

Canada is one of the largest suppliers of pulses and special crops to Venezuela, with its main competitors being other South American countries. While competitors enjoy a geographical advantage in delivering commodities to Venezuela, Canada's pulse and special crops industry has developed on the strength of being internationally competitive in terms of product, quality, service and price. The other factor is Venezuela's 5% tariff for all pulse and special crops, with the exception of canary seed, which is subject to a 15% tariff.

The only significant pulse crop production in Venezuela, is **dry beans**. For 2001-2002, dry bean production is forecast at 33,000 t, unchanged over the last 5 years, with imports largely from Argentina, Canada and the US. Dry beans are an alternative source of protein and are widely consumed at meals. Canadian exports are forecast to remain unchanged at 7,000 t for 2001-2002, but are expected to increase slightly in 2002-2003 to 8,000 t.

Venezuelan **lentil** imports for 2001-2002 are expected to remain unchanged from last year, at 17,000 t, and are expected to increase to 19,000 t in 2002-2003. Green lentils are mainly imported and are consumed with meals. Canada is the dominant exporter of lentils to Venezuela.

For 2001-2002, **dry pea** imports are forecast at 16,000 t, up slightly from 2000-2001. Dry peas are consumed at meals and for making snacks. Canadian dry pea exports to Venezuela are largely green type varieties. This is a well established Canadian market as exports of dry peas have been trending upwards in recent years, with exports forecast at 17,000 t for 2002-2003.

Canadian **canary seed** exports to Venezuela have more than doubled in the past 3 years and are forecast at 6,000 t in 2001-2002. Canary seed is a major component in birdseed and is mixed with millet, sunflower seed, cereal grains and other oilseeds. It is expected that canary seed export growth will continue with Canadian exports forecast to rise to 7,000 t in 2002-2003, despite a tariff rate of 15%.

Sunflower seed production has been stable in Venezuela for the past 6 years, with annual production at 15,000 t. Most of the production is used for confectionary purposes and crushed for oil. Sunflower seed oil production is about 2,000 t annually. For 2001-2002, Canadian sunflower seed exports to Venezuela are forecast to increase to 1,500 t and this is expected to remain unchanged for 2002-2003. Argentina is the other significant supplier of sunflower seed to Venezuela.

SUMMARY

While there may be long-term potential for growth in Venezuela's wheat consumption, short-term consumption will likely be flat. Bread and pasta are consumed as staple foods, but due to import barriers and high floor prices, Venezuela has promoted

self-sufficiency in production of competing staples, especially rice and white corn. At the same time, *The Andean Pact* price band system ensures that wheat cannot enter cheaply enough to change the price relationship between wheat products, especially pasta, and locally produced grains. Any long-term growth in consumption likely depends on the lowering of wheat import duties.

Over the medium term, Venezuela is expected to increase its reliance on imports of bulk commodities as demand increases. Canada is expected to be well positioned to continue to service the Venezuelan import market for wheat, durum, oat products, pulses and special crops.

For more information, please contact:

Bobby Morgan
Market Analyst
Phone: (204) 983-0680
E-mail: morganb@em.agr.ca

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday May 6, 2002

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|--------|--------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| Vancouver B.C. | This week | FOB | 181.16 | N/A | 173.16 | 163.00 | | 323.50 | (7) 238.50 | 152.00 | 325.00 | (4) 880.00 | 450.00 | | | | 450.00 |
| | Week ago | | 181.16 | N/A | 173.16 | 166.00 | | 328.50 | (7) 242.00 | 152.00 | 330.00 | (4) 880.00 | 450.00 | | | | 450.00 |
| Calgary | This week | FOB | 158.00 | N/A | 150.00 | 155.00 | | 314.00 | N/A | | 285.00 | (4) 930.00 | 485.00 | | | | 440.00 |
| | Week ago | | 158.00 | N/A | 150.00 | 157.00 | | 322.50 | N/A | | 290.00 | (4) 930.00 | 485.00 | | | | 440.00 |
| Alta | This week | FOB | 157.00 | 212.50 | 135.00 | 151.00 | | 308.00 | 225.00 | | 285.00 | (4) N/A | 485.00 | | 176.67 | | 470.00 |
| Saskatoon | Week ago | | 157.00 | 207.50 | 141.00 | 152.00 | | 316.50 | 231.00 | | 290.00 | (4) N/A | 485.00 | | 178.33 | | 470.00 |
| Melfort Sask. | This week | FOB | 164.40 | 161.14 | 127.40 | | | | | | | | | | | | |
| | Week ago | | 164.00 | 175.50 | 123.00 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 167.50 | 168.82 | 136.95 | 140.00 | | 291.00 | 215.00 | | 305.00 | (4) 875.00 | 420.00 | | | | 415.00 |
| | Week ago | | 168.00 | 212.35 | 137.48 | 141.00 | | 299.50 | 221.00 | | 305.00 | (4) 875.00 | 420.00 | | | | 415.00 |
| Thunder Bay Ont. | This week | In-store | 162.40 | 181.92 | (8) 143.70 | | | | | | | | | | | | |
| | Week ago | | 165.10 | 196.27 | (8) 140.00 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 125.67 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 124.46 | | | | | | | | | | | |
| Bay Ports | This week | In-store | 178.40 | 318.00 | N/A | | | | | | | | | | | | |
| | Week ago | | 181.00 | 320.00 | N/A | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | 138.18 | | | | | | | | | | | |
| | Week ago | | | | | 139.76 | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | 300.82 | N/A | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 138.50 | | 302.69 | N/A | | | | | | | | |
| | Week ago | | | | | 139.50 | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Trois-Riv. Que. | This week | In-store | 193.40 | | 174.40 | 144.09 | | 313.84 | 258.05 | 140.67 | 301.00 | (5) 825.00 | 287.00 | 415.00 | 142.00 | 243.00 | 360.00 |
| | Week ago | | 193.00 | | 172.00 | 146.84 | | 316.33 | 261.41 | 145.67 | 301.00 | (5) 825.00 | 287.00 | 415.00 | 142.00 | 240.00 | 380.00 |
| St-Jean Que. | This week | FOB | 168.75 | 195.00 | 158.35 | (2) 142.12 | | | | | | | | | | | |
| St-Hyacinthe Que. | Week ago | | 167.55 | 197.33 | 157.33 | (2) 141.82 | | | | | | | | | | | |
| Quebec Que. | This week | In-store | 195.07 | 172.50 | 149.01 | | | 311.40 | | | | | | | | | |
| | Week ago | | 195.17 | 170.17 | 149.50 | | | 315.92 | | | | | | | | | |
| Truro N.S. | This week | Track | 225.65 | 251.62 | 202.62 | 179.57 | | 340.39 | 277.49 | | | | | | | | 360.00 |
| | Week ago | | 221.45 | 251.62 | 201.27 | 178.47 | | 344.74 | 284.82 | | | | | | | | 380.00 |
| Truro N.S. | This week | Water | 207.70 | N/A | N/A | N/A | | | | | | | | | | | |
| | Week ago | & Truck | 212.00 | N/A | N/A | 181.00 | | | | | | | | | | | |
| Hallifax N.S. | This week | In-store | 198.70 | N/A | N/A | N/A | | | | | | | | | | | |
| | Week ago | | 203.00 | N/A | N/A | 172.00 | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754 N/A = not available US \$/100=Cdn \$/1,5683 as of May 06, 2002

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close
Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3C/W/R2 (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley (8) Futures WCE

| B. CASH PRICES AND REPLACEMENT VALUES | | | As of Monday May 6, 2002 | | | | |
|---------------------------------------|--------------------------|--------|--------------------------|----------|-----|-----------|----------|
| PRAIRIE GRAINS | | | | | | | |
| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay 2 | In-Store | WHEAT | 170.40 | 165.10 | | 165.30 | 145.50 |
| CBOT | | OATS | 181.92 | 196.27 | | 319.61 | N/A |
| LETHBRIDGE | | BARLEY | 146.10 | 148.50 | | 154.20 | 129.80 |
| To: Bayports, Ont. | In-store | WHEAT | 193.50 | 188.20 | 1. | 194.42 | 168.60 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 173.25 | 175.65 | 1. | 188.24 | 156.95 |
| Montreal, Que. | In-store | WHEAT | 198.25 | 192.95 | 1. | 199.49 | 173.35 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 178.37 | 180.77 | 1. | 194.54 | 162.07 |
| Moncton, N.B | Truck via Halifax | WHEAT | 220.72 | 215.42 | | 221.86 | 195.82 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 204.73 | 207.13 | | 220.01 | 188.43 |
| Truro, N.S. | Truck via Halifax | WHEAT | 218.22 | 212.92 | | 219.36 | 193.32 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 199.85 | 202.25 | | 215.13 | 183.55 |
| Halifax, N.S. | In-store | WHEAT | 205.55 | 200.25 | 1. | 206.69 | 180.65 |
| | | OATS | N/A | N/A | 1.0 | N/A | N/A |
| | | BARLEY | 186.17 | 188.57 | 1.0 | 201.46 | 169.87 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 265.33 | 260.03 | | 260.23 | 240.43 |
| | | OATS | 288.12 | 302.47 | | 425.81 | N/A |
| | | BARLEY | 253.24 | 255.64 | | 261.34 | 236.94 |
| From: Melfort, Sask. | FOB | WHEAT | 164.40 | 164.00 | | 159.30 | 135.50 |
| | | OATS | 161.14 | 175.50 | | 298.65 | N/A |
| | | BARLEY | 127.40 | 123.00 | | 137.90 | 120.80 |
| To: Bayports, Ont. | Track | WHEAT | 213.55 | 213.15 | | 208.45 | 191.62 |
| | | OATS | 218.03 | 232.39 | | 355.54 | N/A |
| | | BARLEY | 177.10 | 172.70 | | 187.60 | 174.19 |
| Montreal, Que. | Track | WHEAT | 214.31 | 213.91 | | 209.21 | 192.37 |
| | | OATS | 221.75 | 236.11 | | 359.26 | N/A |
| | | BARLEY | 177.92 | 173.52 | | 188.42 | 175.01 |
| Moncton, N.B. | Track | WHEAT | 242.59 | 242.19 | | 237.49 | 213.55 |
| | | OATS | 246.03 | 260.39 | | 383.54 | N/A |
| | | BARLEY | N/A | N/A | | N/A | 187.12 |
| Truro, N.S. | Track | WHEAT | 240.78 | 240.38 | | 235.68 | 213.72 |
| | | OATS | 247.04 | 261.40 | | 384.55 | N/A |
| | | BARLEY | N/A | N/A | | N/A | 200.74 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 287.84 | 287.44 | | 282.74 | 257.06 |
| | | OATS | 296.32 | 310.68 | | 433.83 | N/A |
| | | BARLEY | N/A | N/A | | N/A | 249.03 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|-----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 125.67 | 124.46 | | 128.02 | 122.06 |
| To: Montreal, Que. (US Corn) | In-store | | 144.57 | 143.36 | 1.0 | 153.56 | 140.96 |
| From: Chicago (Mi) | Track | | 126.90 | 128.16 | | 131.77 | 117.23 |
| To: Montreal, Que. (US Corn) | Track | | 155.93 | 157.19 | | 160.80 | 144.77 |
| From: Chatham | Track | | 138.18 | 139.76 | | 137.59 | 131.88 |
| To: Montreal, Que. | Track | | 161.56 | 163.14 | | 160.97 | 154.77 |

| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 300.82 | 302.69 | | 298.28 | 290.35 |
| To: Montreal, Que. | Track | | 325.24 | 327.11 | | 322.70 | 312.82 |
| Moncton, N.B. | Track | | 348.45 | 350.32 | | 345.91 | 330.13 |
| Truro, N.S. | Track | | 347.28 | 349.15 | | 344.74 | 333.10 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 396.08 | 397.95 | | 393.54 | 382.36 |

1. Prices include ONE month of storage and interest charges
n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

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ENLARGEMENT OF THE EUROPEAN UNION

The European Union (EU-15) is in the process of enlarging eastwards, as 10 Central and Eastern Europe Countries (CEEC) prepare for membership into what will eventually be the EU-25. The impact on world cereal, oilseed and livestock markets in the short-to-medium-term is expected to be minimal, due in part to agricultural policy reforms introduced in the EU-15 and the slow pace of economic reform in the CEEC. Over the medium-to-long-term, internal studies to the EU forecast an increase in the production of cereals, milk, beef, pork and poultry, but a decrease in the production of oilseeds for the EU-25. The impact on Canadian grain producers is expected to be minimal over the medium-term as the EU-25 is not expected to increase the exportable surplus of cereal grains significantly. Although livestock related issues will play a major role in the enlargement, this issue of the *Bi-weekly Bulletin* examines some of the major implications of enlargement for cereal and oilseed markets and discusses some of the impacts on Canada.

INTRODUCTION

The EU embarked on an eastward expansion following the breakup of the Former Soviet Union, motivated by a desire for a peaceful Europe after generations of division and conflict and to consolidate the political and economic

transition that has taken place in CEEC since 1989. For further discussion on some of the issues driving the enlargement of the EU, refer to *Bi-weekly Bulletin Volume 9, Number 6, (March 15, 1996)*.

To date, negotiations are nearing completion with Hungary, Poland, Czech

Republic, Slovakia, Slovenia, Lithuania, Latvia, Cyprus, Malta, and Estonia. Three other countries, (Turkey, Bulgaria, and Romania), are also interested in joining the EU. Bulgaria and Romania submitted negotiating positions in 2001 and are scheduled to join in 2007. The following discussion focusses on the CEEC-10.

COMPARISON: EU-15 AND CEEC

| | Total Population ¹ (million) | GDP ² (billion euro) | Inflation ³ % | Agriculture Production (billion euro) | Agriculture Employment ⁵ % |
|---------------------------|---|------------------------------------|-----------------------------|---|---|
| Czech. Rep | 10.285 | 55.0 | 3.9 | 2.52 | 5.2 |
| Cyprus | 0.755 | 9.5 | 4.9 | 0.58 | 9.2 |
| Estonia | 1.439 | 5.5 | 3.9 | 0.34 | 7.0 |
| Hungary | 10.043 | 49.5 | 10.0 | 4.40 | 6.5 |
| Latvia | 2.424 | 7.7 | 2.6 | 0.44 | 14.4 |
| Lithuania | 3.699 | 12.2 | 0.9 | 0.92 | 18.4 |
| Malta | 0.388 | 3.9 | 2.4 | 0.14 | 1.7 |
| Poland | 38.654 | 171.0 | 10.1 | 10.88 | 18.7 |
| Slovakia | 5.399 | 20.9 | 12.7 | 1.38 | 6.9 |
| Slovenia | 1.988 | 19.5 | 8.9 | n/a | 9.6 |
| CEEC-10 | 75.074 | 354.7 | 6.0 | 21.60 | n/a |
| Bulgaria | 8.191 | 13.0 | 10.3 | 3.36 | 9.0 |
| Romania | 22.456 | 20.9 | 45.8 | 7.78 | 45.2 |
| Turkey | 64.818 | 217.4 | 54.9 | n/a | 34.9 |
| EU-15 ² | 386.455 | 8,526.0 | 2.1 | 274.02 | 4.3 |

¹ Jan 01, 2000² 2000³ 1999

⁴ Non-harmonised (national) index for Malta and Turkey. Annual variation of the harmonised index of consumer prices in 2000 (%)

Source: European Commission, Eurostat, "Key Data on the Candidate Countries" and "Preliminary Economic Accounts for Agriculture in twelve Candidate Countries, 1998-1999"

For the EU, the CEEC offers a market of well-educated people with low labour costs and forecasted strong economic growth over the next decade. Conversely, the EU can aid the CEEC in their economic recovery with crucial links to democracy, markets and capital. The agriculture sector plays an important role in the CEEC, accounting for, on average, 5% of CEEC Gross Domestic Product (GDP) and 22% of the work force.

Enlargement Process

Membership negotiations are currently ongoing between the EU and the CEEC with the timing of each country's accession depending on its progress in meeting the following criteria: (1) stability of its democratic institutions, rule of law, human, and minority rights; (2) developing a market economy competitive with the EU and (3) the ability to adopt the policies and rules of the EU (the 'acquis communautaire'), along with adequate administrative structures to implement and enforce these policies. The entry of each CEEC into the EU is



Canada

governed by a series of bilateral "Accession Partnership" agreements in which each CEEC has to undertake a clear framework of political, economic and bureaucratic reforms. These reforms have to satisfy conditions set out in 1993 along with a series of benchmarks that were established to gauge each country's readiness for membership. The progress of reform in each country is monitored and reported on annually in a series of reports issued by the EU.

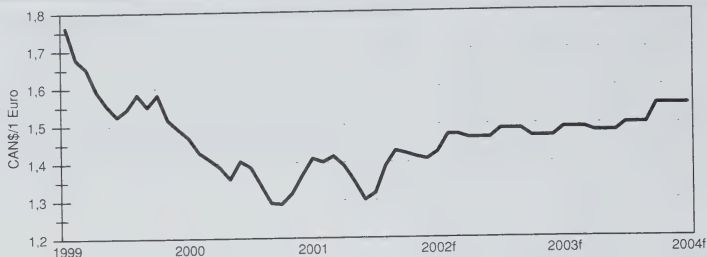
Since 1992, the CEEC have undertaken reforms to assist the transformation from centrally planned into open market economies. These transformations have proven to be more difficult than anticipated, and the EU has had to provide about 3.2 billion Euro (€) of assistance annually through three funding programs, the Phare, the Special Accession Programme for Agriculture and Rural Development (SAPARD) and the Instrument for Structural Policies for Pre-Accession (ISPA). Each program focuses on separate aspects of reform and development including: institutional reform, strengthening democratic bodies and the bureaucracy that implement and enforce the legislation of the EU.

Prior to joining, each candidate country has to hold a referendum on whether or not to join the EU. Some countries may vote not to join, particularly if the costs of acceptance are perceived to exceed the benefits. Various disagreements are expected to delay the date of entry of the first CEEC to 2004, at the earliest. While agricultural production makes up only a small portion of the economy for the EU-15, it is much more important in the CEEC. Consequently, agriculture issues continue to be controversial in the enlargement process.

Agriculture Issues

One of the major issues concerns how "area based payments" will be handled. Approximately one-quarter of the total EU budget is currently spent on direct-aid schemes for grain and oilseed producers.

EXCHANGE RATE: EURO VERSUS CANADIAN DOLLAR



f: forecast, Scotia Bank Group, CAN\$/US\$ & US\$/Euro, April 2002
Source: Pacific Exchange Rate Service

For example in 2000, the EU budget was €95.8 billion, of which €39.9 billion was spent on agriculture through the European Agriculture Guidance and Guarantee Fund, of which, in turn, half was spent on arable crops in the form of direct area aid and set aside payments.

The decision to expand to an EU-25, would increase direct aid subsidies by about €5 billion, on an additional 80 million tonnes (Mt) of production. However, since the EU budget is funded mainly through Value Added Taxes, contributions of the CEEC will be much smaller because of significantly lower GDP levels than for the EU.

An EU recommendation to phase-in direct farmer subsidies over a 10 year period, has outraged the applicant CEEC. The proposal is for producers in the CEEC who join in 2004 to receive 25% of the level of subsidies received by EU farmers, 30% in 2005 and 35% by 2006. This proposal includes using the lower 5 year average yields and seeded areas from the CEEC, which the CEEC argue is abnormally low. The phasing-in proposal is designed to allow the EU to absorb the additional costs of the new member states. It would reduce initial anticipated direct area payouts by about €3.8 billion a year.

Another dilemma for policy makers is the

dualistic farm structures in the CEEC whereby a large number of small scale subsistence producers compete against an emerging commercial farming sector. This problem is exacerbated by the expected growth in rural unemployment and poverty, in the absence of off farm jobs or business opportunities, and the lack of social safety nets such as unemployment insurance. As a result, the EU has proposed to fund early retirement pensions for producers in the CEEC. The funds for early pensions are designed to speed up the modernization process in eastern Europe and to compensate producers for not receiving the full direct area payments.

European Union: Economic Situation

While the EU-15 supports the addition of new member countries, it continues to struggle with re-structuring internally. Generally, the net contributors to the EU are increasingly balking at the growing bureaucratization and cost of operating the EU, while the net beneficiaries, especially France, continue to support the status quo. With the adoption of Agenda 2000 in 1999, the EU sought to streamline some of its cost of operations, partly in preparation for enlargement. For a fuller discussion, refer to *Bi-weekly Bulletin, Volume 14, Number 14, August 2001*.

The economic growth in the EU in 2000 was one of the best in the last decade as GDP growth reached 3.4%, 2.8 M jobs were created and inflation remained relatively subdued. Economic growth in 2002 is expected to average slightly under 3%, due to increased world demand. In spite of continuing wage moderation, inflation is not expected to fall much below 2% in 2002, while total employment is expected to grow, although at a slower pace than in 1999 and 2000.

Since its launch in January 1999, the Euro has depreciated by about 25% against the Canadian dollar to about €1=CAN\$1.41, comparable to its depreciation against the United States (US) dollar. Many factors have contributed to the weakness of the Euro against the dollar, including differences

EU PRE-ACCESSION ASSISTANCE PROGRAMS

| | | |
|---|-------------------------|---|
| Phare | 1.587 billion euro/year | Institutional and Infrastructure Development - 30% of the budget. Investment Support - 70% of the budget. |
| Structural Policies for Pre-Accession (ISPA) | 1.058 billion euro/year | Funds up to 75% of eligible public expenditures. Transport and Environmental Issues - particularly upgrading drinking water standards, water treatment, solid waste management and air pollution. |
| Special Accession Programme for Agriculture and Rural Development (SAPARD) | 0.529 billion euro/year | Restructure agriculture and rural sectors of CEEC Implement political and bureaucratic structures; sustainable agriculture and rural development. |

Source: European Commission

in growth rates, interest rates and relative economic and financial outlooks.

Agricultural Situation

Since 1990, the EU has implemented a number of changes to agriculture policy with the general goal of reducing commodity surpluses and easing the strain on the budget. These changes culminated in 1999 with the passage of Agenda 2000, which phased in lower direct area payments over several years, aligned subsidies for cereals and oilseeds and sets aside 10% of productive agricultural land.

For 2001-2002, **cereal** output in the EU-15 decreased by 7% as abnormally wet conditions across key growing regions in continental Europe resulted in a modest drop in seeded area and a major decline in yields. Supplies of cereals are expected to decline only moderately, as a sharp rise in imports has largely offset the lower production. Domestic usage of wheat and coarse grains and exports are expected to fall slightly, resulting in a 4 Mt drop in carry-out stocks.

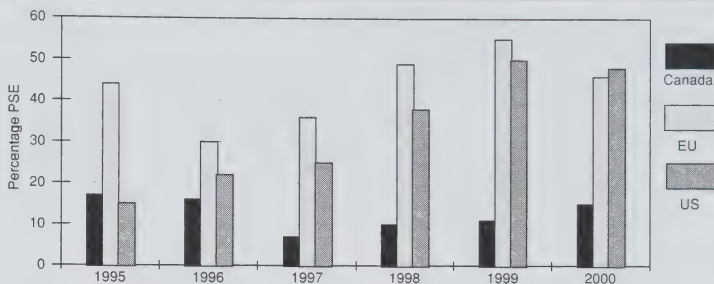
Similar to cereals, **oilseed** production declined sharply, to slightly under 14 Mt, for 2001-2002, versus 16.7 Mt for 2000-2001. Rapeseed production fell by one-quarter, to 8.6 Mt, for 2001-2002, while the output of sunflower seed decreased slightly to 3.2 Mt, versus 3.3 Mt in 2000-2001. By contrast, the production of soybeans increased marginally, to 1.2 Mt. Imports of soybeans are expected to increase by 9%, to a record 19.7 Mt for 2001-2002, as the EU seeks to satisfy a growing demand for protein meal and vegoil.

The consumption of soy meal is expected to reach 30 Mt for 2001-2002, a rise of 2 Mt from 2000 to 2001, largely due to the EU-wide ban on the use of meat and bone meal in livestock rations. Total protein meal usage, on a soy meal equivalent basis, is projected to rise to 45.0 Mt from 43.4 Mt, in 2000-2001. Similarly, the EU consumption of vegoil oil is forecast at 13.4 Mt for 2001-2002, versus 13.2 Mt for 2000-2001. This is due to a sharp increase in soy oil and palm oil consumption, more than offsetting a decline in the consumption of rape oil, sun oil, olive oil and other oils.

CEEC: Economic Situation

Nominal GDP growth in the CEEC averaged around 3.6% during 2000, a sharp increase from 0% growth in 1999. In 2001, there was a slowdown in economic growth, in line with the deteriorating EU economic performance. Nine CEEC have grown at a faster rate than the EU, narrowing the income disparity between the two sets of countries. The growth has occurred at the expense of a high inflation rate, which

WHEAT: PRODUCER SUPPORT ESTIMATE



Source: Agricultural Policies in OECD Countries: Monitoring and Evaluation, OECD 2001
AAFC, Research and Analysis Directorate

exceeded 15% in 2001 and increased unemployment in the CEEC of 12.5% compared to 11% in 1999. The rise in unemployment is the result of structural labour shedding reforms and high productivity growth. Current account deficits have improved for most of the countries, despite a deterioration in the terms of trade, with the largest change occurring in Latvia and Lithuania. The CEEC are still grappling with setting up the legal and institutional framework needed for the functioning of a market economy, including the enforcement of judicial decisions.

CEEC-10: Agricultural Situation

Since 1990, the agricultural sector has undergone dramatic changes including price and trade liberalization, privatization, the abolition of consumer subsidies and the loss of traditional markets. Consequently, output decreased sharply and there was widespread decapitalisation, as production assets were sold to generate short-term income. To-date, each country continues to develop at different rates and displays different specializations.

CEEC-10 **cereal** production has increased significantly, from 63 Mt in 1992, to 77 Mt in

2001. A drought in 2000 resulted in a crop of only 63 Mt. The growth in cereal production is due to the 15% rise in yields, from 2.7 t/ha 1992, to 3.3 t/ha for 2001-2002, as the area seeded to cereals has remained relatively constant since the mid-1990s.

Total food use of cereals in the CEEC-10 has increased slowly over the past decade, due to a slight increase in per capita consumption and in population. It is estimated at slightly over 19 Mt for 2001-2002. By contrast, the use of cereals in livestock rations has declined, particularly in 2000, as the result of drought and reduced livestock populations. Feed use is expected to recover as a result of growing pork and poultry production in Poland and Hungary.

Oilseed area in the CEEC-10 is highly sensitive to market prices. After peaking at 3.7 million hectares (Mha) in 1999-2000, area dropped to 3.0 Mha in 2000-2001, due to the low market prices for rapeseed, sunflower seed and soybeans compared to wheat and coarse grains, before rebounding slightly to 3.1 Mha in 2001-2002.

For 2001-2002, the production of oilseeds rebounded to 5.1 Mt, from 3.9 Mt the previous year, due to a return to near-normal

EU-15 AND CEEC-10: CEREALS* SUPPLY AND DISPOSITION

| July-June crop year | EU-15 | | | CEEC-10 | | |
|--------------------------|---------------|----------------|----------------|---------------|----------------|----------------|
| | 2000 -2001 | 2001 -2002e | 2002 -2003f | 2000 -2001 | 2001 -2002e | 2002 -2003f |
| Harvested Area (Mha) | 37.65 | 36.36 | 37.20 | 22.21 | 23.63 | 23.80 |
| Yield (t/ha) | 5.70 | 5.49 | 5.70 | 2.82 | 3.25 | 3.27 |
|million tonnes..... | | | | | | |
| Carry-in Stocks | 34.99 | 35.16 | 31.28 | 9.19 | 6.48 | 10.85 |
| Production | 214.56 | 199.56 | 212.04 | 62.63 | 76.80 | 77.90 |
| Imports | 43.39 | 47.82 | 58.00 | 4.98 | 4.30 | 4.00 |
| Total Supply | 292.94 | 282.54 | 301.32 | 76.80 | 87.58 | 92.75 |
| Exports | 60.94 | 57.49 | 65.00 | 3.28 | 7.8 | 13.11 |
| Domestic Usage | 196.84 | 193.77 | 204.32 | 67.04 | 68.86 | 69.64 |
| Total Use | 257.78 | 251.26 | 269.32 | 70.32 | 76.73 | 82.75 |
| Carry-out Stocks | 35.16 | 31.28 | 32.00 | 6.48 | 10.85 | 10.00 |

* cereal includes wheat, barley, oat, corn, and rye.

e: estimate, USDA-PSD, May 2002

f: forecast, AAFC, based on "EU Medium-term Outlook", May 2002

Source: USDA, Production, Supply and Disposition Statistics, May 2002

yields following the drought of 2000-2001. Most of the increase in output is expected to be consumed locally due to a growing demand for oil for food use and protein meals for livestock feed. Exports, mostly to the EU, are estimated at about 0.8 Mt for 2001-2002.

Impact of Enlargement.

Over the medium-term, the changes introduced under Agenda 2000 are expected to result in a shift to a higher cereal area at the expense of oilseeds and an expansion in voluntary set-aside in regions where the profitability is low. Exports to the EU are expected to be dominated by issues such as limits on imports of genetically modified oilseeds and other products.

The European Commission recently released a study analysing the possible impact of enlargement on agricultural markets for the main commodities grown within the CEEC. It was assumed that all 10 CEEC had entered the EU by 2007. The baseline assumed non-accession and *no change* in agriculture policies within the CEEC. Three simulated alternative policy scenarios were analysed against the baseline. The first scenario was the implementation of the Common Agriculture Policy (CAP) *without* direct payments, but including production quotas based on recent yields and harvested areas. The second scenario implemented the CAP with *full* direct payments and quotas, with the reference quantities based on recent reference periods. The third scenario implemented the CAP with full direct payments and quotas and the reference quantities based on *negotiations* between the CEEC and the EU.

The scenarios, in comparison to the baseline, are summarized below. For all scenarios, domestic prices for cereals in the EU-25 are expected to rise over the medium-term on support from higher world prices, which are expected to keep domestic prices above support levels. Cereal export subsidies should be minimal, although remaining highly sensitive to the value of the Euro.

By 2007, total production of **cereals** in the EU-25 is projected to be 6-10 Mt above the baseline for an independent EU-15 and CEEC, to 310-315 Mt. The increase in output was lowest for the second scenario of full CAP benefits without direct area payments. However, both second and third scenarios, of including direct area payments, and of accepting the CEEC negotiated terms, increased cereal output by 5 Mt over the baseline within the CEEC. Total cereal exports would rise by about 4-6 Mt a year, to 39-41 Mt,

versus the 34 Mt projected under the status quo scenario.

The largest increase in exports is projected for wheat, which rise by 3-4 Mt over the baseline, to 23-24 Mt by 2007. By contrast, the projected large rise in coarse grain production would be largely offset by a rise in feedgrain consumption, as a result of expanded livestock production in the former EU-15. Therefore, exports of coarse grains from the EU-25 would rise by only 1-3 Mt over the baseline scenario, to 15-17 Mt over the medium-term.

The production of **oilseeds** is projected to decline by about 1 Mt, to around 17 Mt, in the EU-25 by 2007, compared to the baseline EU-15 and CEEC. However, output in the EU-15 is forecasted to increase slightly, while production in the CEEC declines sharply. With the consumption of oilseeds expected to remain stable over the medium-term, the CEEC is projected to become a net importer of oilseeds, compared to an exporter under the baseline scenario. Consequently, EU-25 imports of oilseeds are expected to increase over the medium-term as a result of enlargement, compared to the baseline scenario of no change.

Livestock production and exports are expected to increase in the CEEC over the medium-term, as producers, and the meat processing industries modernize, increase efficiency and grow in size. Analysis by the European Commission suggests that poultry and pork production in the EU-25 will rise slightly upon accession, as technical constraints slow down the expansion in output spurred by higher prices. Producers and processors in the former CEEC will face more stringent regulations regarding animal welfare and product quality, which will raise production costs. As a result of increased livestock production in the CEEC, internal demand for feedgrains is projected to grow at a moderate pace.

The enlargement of the EU-15 and the CEEC to an EU-25 includes many issues that have to be negotiated and progress is expected to be slow. Previously optimistic forecasts for increased agriculture production in the former CEEC have been scaled back in light of a lack of functioning economic institutions such as banks, courts and clear property titles.

The EU has scheduled a mid-term review of Agenda 2000 for 2002 to consider further reforms of the CAP. In addition, elections for the European parliament are scheduled for 2004, when 10 applicant CEEC are expected to vote. Other outstanding issues include additional reforms of the political

and financial structure of the EU-15 as it expands to the EU-25, the speed of the adjustment to a market economy in the CEEC and forging a consensus for trade negotiations at the World Trade Organization.

For Canada, the major issues of concern are what role production and export subsidies will play in the enlarged EU and the growing importance of the CEEC in world agriculture markets. Over the medium-term, the impact on Canadian cereal and oilseed producers as a result of the EU enlargement is expected to be minimal.

For more information, please contact:

Chris Beckman
Oilseeds Analyst
Phone: (204) 984-4929E-mail:
beckmac@em.agr.ca

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday May 20, 2002

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-----------------|--------|--------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| Vancouver B.C. | This week | FOB | 181.16 | N/A | 173.16 | 173.00 | | 332.70 | (7) 239.50 | 139.00 | 315.00 | (4) 880.00 | 450.00 | | | | 430.00 |
| | Week ago | | 181.16 | N/A | 173.16 | 173.00 | | 327.20 | (7) 239.50 | 139.00 | 315.00 | (4) 880.00 | 450.00 | | | | 440.00 |
| Calgary Alta | This week | FOB | 158.00 | N/A | 150.00 | 160.00 | | 323.00 | N/A | | 275.00 | (4) 930.00 | 485.00 | | | | 430.00 |
| | Week ago | | 158.00 | N/A | 150.00 | 158.00 | | 314.50 | N/A | | 275.00 | (4) 930.00 | 485.00 | | | | 440.00 |
| Saskatoon | This week | FOB | 158.00 | 207.50 | 136.00 | 157.00 | | 315.50 | 225.00 | | 275.00 | (4) N/A | 485.00 | | 164.33 | | 460.00 |
| | Week ago | | 158.00 | 207.50 | 136.00 | 154.00 | | 309.50 | 225.00 | | 275.00 | (4) N/A | 485.00 | | 164.33 | | 470.00 |
| Melfort Sask. | This week | FOB | 163.20 | 182.07 | 128.90 | | | | | | | | | | | | |
| | Week ago | | 166.70 | 167.60 | 129.00 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 170.50 | 178.78 | 144.12 | 144.00 | | 299.00 | 215.00 | | 300.00 | (4) 875.00 | 420.00 | | | | 415.00 |
| | Week ago | | 170.00 | 172.60 | 142.48 | 144.00 | | 292.00 | 215.00 | | 300.00 | (4) 875.00 | 420.00 | | | | 415.00 |
| Thunder Bay | This week | In-store | 158.20 | 202.69 | (8) 137.90 | | | | | | | | | | | | |
| | Week ago | | 159.70 | 188.33 | (8) 149.00 | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board Vessel | | | | 130.55 | | | | | | | | | | | |
| | Week ago | | | | | 129.38 | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | 178.20 | 319.00 | N/A | | | | | | | | | | | | |
| | Week ago | | 175.70 | 318.00 | N/A | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | 141.33 | | | | | | | | | | | |
| | Week ago | | | | | 140.94 | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | | | | | | | |
| | Week ago | | | | | | FOB | 307.65 | N/A | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | | 297.84 | N/A | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 141.25 | | | | | | | | | | | |
| | Week ago | | | | | 139.00 | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | FOB | 320.34 | 244.00 | 115.33 | 301.00 | (5) 825.00 | 287.00 | 410.00 | 139.00 | 243.00 | 350.00 |
| | Week ago | | | | | | | 309.98 | 243.94 | 120.67 | 301.00 | (5) 825.00 | 287.00 | 415.00 | 142.00 | 243.00 | 360.00 |
| Trois-Riv. Que. | This week | In-store | 193.20 | | 173.90 | 148.81 | | | | | | | | | | | |
| | Week ago | | 192.70 | | 174.00 | 147.24 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | 169.10 | 210.00 | 153.95 | (2) 145.27 | | | | | | | | | | | |
| | Week ago | | 168.75 | 195.33 | 162.00 | (2) 144.09 | | | | | | | | | | | |
| St-Hyacinthe, Que. | This week | In-store | 194.87 | | 174.90 | 152.16 | FOB | 318.38 | | | | | | | | | |
| | Week ago | | 192.70 | | 177.00 | 150.98 | | 308.94 | | | | | | | | | |
| Truro N.S. | This week | Track | 225.65 | 256.61 | 204.72 | 185.08 | FOB | 344.30 | 280.74 | | | | 400.00 | | | | 350.00 |
| | Week ago | | 225.85 | 251.62 | 205.77 | 179.76 | | 338.90 | 274.64 | | | | 400.00 | | | | 360.00 |
| Truro N.S. | This week | Water | 207.90 | N/A | N/A | 177.10 | | | | | | | | | | | |
| | Week ago | & Truck | 205.90 | N/A | N/A | 176.20 | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | 198.00 | N/A | N/A | 168.10 | FOB | | | | | | | | | | |
| | Week ago | | 196.90 | N/A | N/A | 167.20 | | 272.75 | | | | | | | | | |
| | | | | | | | | 272.75 | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5424 as of May 17, 2002

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No. 1 Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified.

Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal- white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWSR (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley (8) Futures WCE.

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday May 20, 2002

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|----------------------|--------------------------|--------|-----------|----------|-----|-----------|----------|
| From: Thunder Bay 2 | In-Store | WHEAT | 171.20 | 174.70 | | 167.50 | 136.50 |
| CBOT | | OATS | 202.69 | 188.33 | | 211.72 | 125.99 |
| LETHBRIDGE | | BARLEY | 153.70 | 148.40 | | 150.70 | 134.50 |
| To: Bayports, Ont. | In-store | WHEAT | 194.30 | 197.80 | 1. | 190.60 | 159.60 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 180.85 | 175.55 | 1. | 177.85 | 161.65 |
| Montreal, Que. | In-store | WHEAT | 199.05 | 202.55 | 1. | 195.35 | 164.35 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 185.97 | 180.67 | 1. | 182.97 | 166.77 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 221.52 | 225.02 | | 217.82 | 186.82 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 212.33 | 207.03 | | 209.33 | 193.13 |
| Truro, N.S. | Truck via Halifax | WHEAT | 219.02 | 222.52 | | 215.32 | 184.32 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 207.45 | 202.15 | | 204.45 | 188.25 |
| Halifax, N.S. | In-store | WHEAT | 206.35 | 209.85 | 1. | 202.65 | 171.65 |
| | | OATS | N/A | N/A | 1.0 | N/A | N/A |
| | | BARLEY | 193.77 | 188.47 | 1.0 | 190.77 | 174.57 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 266.13 | 269.63 | | 262.43 | 231.43 |
| | | OATS | 308.89 | 294.53 | | 317.92 | 232.19 |
| | | BARLEY | 260.84 | 255.54 | | 257.84 | 241.64 |
| From: Melfort, Sask. | FOB | WHEAT | 163.20 | 166.70 | | 165.50 | 125.50 |
| | | OATS | 182.07 | 167.60 | | 190.89 | 108.04 |
| | | BARLEY | 128.90 | 129.00 | | 138.00 | 126.50 |
| To: Bayports, Ont. | Track | WHEAT | 212.35 | 215.85 | | 214.65 | 181.62 |
| | | OATS | 238.96 | 224.49 | | 247.78 | 166.91 |
| | | BARLEY | 178.60 | 178.70 | | 187.70 | 179.89 |
| Montreal, Que. | Track | WHEAT | 213.11 | 216.61 | | 215.41 | 182.37 |
| | | OATS | 242.68 | 228.21 | | 251.50 | 167.81 |
| | | BARLEY | 179.42 | 179.52 | | 188.52 | 180.71 |
| Moncton, N.B. | Track | WHEAT | 241.39 | 244.89 | | 243.69 | 203.55 |
| | | OATS | 266.96 | 252.49 | | 275.78 | 191.15 |
| | | BARLEY | N/A | N/A | | N/A | 192.82 |
| Truro, N.S. | Track | WHEAT | 239.58 | 243.08 | | 241.88 | 203.72 |
| | | OATS | 267.97 | 253.50 | | 276.79 | 192.12 |
| | | BARLEY | N/A | N/A | | N/A | 206.44 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 286.64 | 290.14 | | 288.94 | 247.06 |
| | | OATS | 317.25 | 302.78 | | 326.07 | 239.50 |
| | | BARLEY | N/A | N/A | | N/A | 254.73 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|-----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 130.55 | 129.38 | | 125.78 | 119.34 |
| To: Montreal, Que. (US Corn) | In-store | | 149.45 | 148.28 | 1.0 | 144.68 | 138.24 |
| From: Chicago (Mi) | Track | | 131.77 | 130.00 | | 129.49 | 111.50 |
| To: Montreal, Que. (US Corn) | Track | | 160.80 | 159.03 | | 158.52 | 139.04 |
| From: Chatham | Track | | 141.33 | 140.94 | | 138.67 | 125.49 |
| To: Montreal, Que. | Track | | 164.71 | 164.32 | | 162.05 | 148.38 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|----------------------|--------------------------|--|--------|--------|--|--------|--------|
| From: Hamilton, Ont. | | | 307.65 | 297.84 | | 303.79 | 301.59 |
| To: Montreal, Que. | Track | | 332.07 | 322.26 | | 328.21 | 324.06 |
| Moncton, N.B. | Track | | 355.28 | 345.47 | | 351.42 | 341.37 |
| Truro, N.S. | Track | | 354.11 | 344.30 | | 350.25 | 344.34 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 402.91 | 393.10 | | 399.05 | 393.60 |

1. Prices include ONE month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

May 31, 2002 Volume 15 Number 10

PULSE CROPS IN SOUTH ASIA

Exports of Canadian pulse crops (dry peas, chick peas, lentils, and dry beans) to South Asia grew 16,367% over a 10 year period from only 6,000 tonnes (t) in 1991 to reach 988,000 t in 2001 and to value \$276 million (M). The Canadian share of this region's import needs climbed from less than 1% in 1990 to 68% in 2000. Although the population grew 21% between 1990 and 2000, domestic production in South Asia only increased 2% during the same time period. Despite the strong growth in population and limited production growth, imports by this region decreased by 7% over 10 years to 1.1 million tonnes (Mt) in 2000, according to the Food and Agriculture Organization (FAO), of the United Nations. As a result, there has been a sharp decrease in per capita consumption. This issue of the *Bi-weekly Bulletin* examines the demand for pulse crops in South Asia, and highlights Canada's exports to this region.

INTRODUCTION TO PULSES

Pulses are the edible dry seeds of leguminous plants. Pulse crops produced and/or consumed in South Asia include **chick peas, dry beans** (including **mung beans** and **kidney beans**), **pigeon peas, urd** (also known as **black matpe**), **lentils, cow peas, and broad beans** (which include **fababeans**).

The use of pulses as food is concentrated in developing countries, which account for about 90% of global food pulse consumption. In low income countries, pulses contribute about 10% of the daily protein and about 5% of the energy requirements in human diets. Per capita consumption of pulses is also high among vegetarians, as a source of protein, and a high percentage of people in South Asia, specifically in India, are vegetarians.

World Production and Trade

Pulse crops are grown throughout the world, but there is a concentration of production in India, China, Canada, Australia, Brazil, and Nigeria, which collectively accounted for 51% of the 51.5 Mt of pulse crops produced in 2001. Pulses are consumed on every continent, but import demand is driven by countries in South Asia, Middle East, North Africa, and Latin America. Canada is the leading exporting country, and had 2.7 Mt of

exports in 2000, or 32% of the world's 8.5 Mt trade. Imports are much more widely spread out, with Spain and India leading the importing nations. India is the leading import market for food pulses, while Spain's main import is feed peas.

SOUTH ASIA

Geography

The area referred to as South Asia comprises the following countries: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Collectively, these countries occupy approximately 449 million hectares (Mha), or 3% of the world's land. India is by far the largest country with 329 Mha.

About 195 Mha, or 43% is considered arable, and 224 Mha are used for agricultural purposes. Most of the countries have a temperate to subtropical climate, and agricultural production is highly dependent upon the monsoon.

Population

In 2000, there were 1.3 billion people, or 22% of the world population in this region. Over 25.5% of the region's population was employed in agriculture, as compared to 21.8% of the world's population. The population grew 21% since 1990, compared to the world growth rate of only 15.3%. While most world religions are practised in

SOUTH ASIA: POPULATION

| | 1990 | 2000 | Change |
|--------------|--------------------|----------------|------------|
| |millions..... | | |
| India | 845.0 | 1,009.0 | 19% |
| Pakistan | 109.8 | 141.3 | 29% |
| Bangladesh | 110.0 | 137.4 | 25% |
| Nepal | 18.1 | 23.0 | 27% |
| Sri Lanka | 17.0 | 18.9 | 11% |
| Bhutan | 1.7 | 2.1 | 23% |
| Maldives | 0.2 | 0.3 | 35% |
| Total | 1,101.8 | 1,332.0 | 21% |

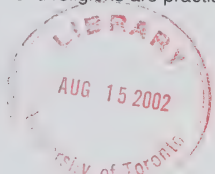
Source: FAO, May 2002

this region, Pakistan, Bangladesh, and Maldives are predominantly Muslim; India and Nepal are predominantly Hindu; and most people in Sri Lanka and Bhutan are Buddhist.

While South Asia is home to some of the smallest and poorest countries in the world, it also contains the world's most populous democracies and a very large middle class population.

Economy

Despite rapid economic growth during the 1990s, South Asia's countries still have among the lowest per capita incomes in the world. For the region, Gross National Income (GNI) per capita has increased from US\$410 in 1996 to US\$440 in 2000. With the exception of Pakistan, the GNI per capita has increased in each country.



Canada

India is by far the largest country, in terms of population, area and Gross Domestic Product (GDP). For 2002, India's GDP is expected to grow by 6%, due to a moderate pickup in domestic demand as well as a rebound in global markets.

South Asia is in a period of transition as it strives to implement effective economic, political, social and legal structures to support sustained growth. The International Monetary Fund (IMF) and World Bank have arranged several billion dollars worth of assistance to the region, with the IMF prescribing such measures as cuts in subsidies, deregulation, anti-poverty efforts and increased privatization. Many countries in South Asia are recipients of ongoing food aid through the United Nations World Food Programme.

Most countries in South Asia have an agrarian based economy. Agriculture is largely of a subsistence nature, although in India more modern agricultural farming practices also take place. Reliance on manufacturing sectors or service sectors varies across the countries, with Sri Lanka relying heavily on exported merchandise and Maldives relying heavily on incoming tourists.

All seven countries in South Asia are members of the South Asian Association for Regional Cooperation (SAARC), which was created in 1985 to help promote economic and social development, plus economic cooperation in the region. The work of SAARC has been repeatedly postponed because of tensions between the two dominant forces, India and Pakistan.

Water Availability

Irrigation is relied on heavily throughout the region. With approximately 83 Mha of arable land under irrigation, more than 40% of regional crops are produced with the assistance of irrigation, compared to 20% globally.

In many parts of South Asia, the monsoon season brings the only major rainfall of the year. If there is too much rainfall, flooding may occur, and if there isn't enough rainfall, there may be drought. Irrigation, then, becomes an essential tool to produce the food crop.

Due to the water shortages faced by this region, the amount of crops under irrigation is impressive. Currently the World Bank has outstanding commitments of about \$20 billion in water projects worldwide to help overcome water shortages. About 20% of this financing is

invested in projects in South Asia.

Agricultural Production

The main crops produced in South Asia include sugar cane, rice, wheat, forages, fruits and vegetables and tea. While South Asian countries used to be dependent on food imports, many countries, such as India have become self sufficient in many crops and usually have an exportable surplus.

There are two crops produced in South Asia. The summer crop (*kharif*) is harvested between September and December, while the winter crop (*rabi*) is harvested between March and May. Pulse crops are grown in both seasons, with beans, urd, pigeon peas, and cow peas grown during the summer crop, and chick peas, dry peas and lentils grown during the winter crop.

Production of pulse

crops in South Asia fell 21% between 1991 and 2001, mainly due to a drought in 2001 in both India and Pakistan. In reality, production of pulse crops has remained fairly steady throughout the past decade, ranging from a low of 12.6 Mt in 2001 to a high of 16.7 Mt in 1999. Pulses are grown under non-irrigated conditions with virtually no use of inputs.

When comparing production figures for 2000 to 1990, total production has increased 2%. Increased production in India and Nepal more than offset decreased production in Pakistan, Bangladesh, and Sri Lanka. By crop, there was a 17% increase in chick pea production, a 35% decrease in dry bean production, a 40% increase in lentil production, and a 40% increase in dry pea production during the same time period. Production of pigeon peas increased 2% to 2.8 Mt. Production of other pulses, which includes urd increased 24% to 1.4 Mt.

Data Sources and Discrepancies

Due to different data collection methods and definitions for pulse classes, differences exist between the FAO and Statistics Canada marketing data used in this bulletin.

SOUTH ASIA: PULSE CROPS PRODUCTION

| | 1991 | 1998 | 1999 | 2000 | 2001 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
|thousand tonnes..... | | | | | |
| TOTAL PULSES ^{1/} | | | | | |
| India | 14,265 | 13,249 | 14,957 | 13,417 | 11,271 |
| Pakistan | 990 | 1,162 | 1,061 | 900 | 740 |
| Bangladesh | 522 | 519 | 414 | 383 | 381 |
| Nepal | 164 | 196 | 211 | 221 | 226 |
| Other | 52 | 30 | 27 | 27 | 27 |
| Total ^{2/} | 15,993 | 15,156 | 16,670 | 14,948 | 12,645 |
| CHICK PEAS | | | | | |
| India | 5,356 | 6,132 | 6,801 | 5,082 | 3,391 |
| Pakistan | 562 | 767 | 698 | 565 | 397 |
| Other | 57 | 74 | 24 | 23 | 24 |
| Total ^{2/} | 5,975 | 6,973 | 7,523 | 5,670 | 3,812 |
| DRY BEANS | | | | | |
| India | 3,529 | 2,750 | 2,690 | 2,630 | 2,570 |
| Other | 214 | 238 | 182 | 191 | 202 |
| Total ^{2/} | 3,743 | 2,988 | 2,872 | 2,821 | 2,772 |
| LENTILS | | | | | |
| Nepal | 73 | 114 | 132 | 137 | 143 |
| Bangladesh | 157 | 163 | 165 | 128 | 126 |
| India | 851 | 805 | 938 | 1,054 | 1,050 |
| Other | 28 | 36 | 38 | 36 | 33 |
| Total ^{2/} | 1,109 | 1,118 | 1,273 | 1,355 | 1,352 |
| DRY PEAS | | | | | |
| India | 605 | 712 | 700 | 700 | 700 |
| Other | 100 | 106 | 107 | 95 | 95 |
| Total ^{2/} | 705 | 818 | 807 | 795 | 795 |

^{1/} includes chick peas, pigeon peas, dry beans, dry peas, cow peas, and other pulses.

^{2/} includes India, Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan, and Maldives

Source: FAO, May 2002

FAO provides world trade data for over 200 countries and over 600 commodities. Statistics Canada provides Canadian trade data information based on customs declarations. Both agencies revise their numbers often as they receive new information. For the purpose of this bulletin, the FAO has been used to provide world trade data while Statistics Canada has been used to provide Canadian trade data. Caution should be used when comparing the two data sets.

Agricultural Trade

Typically South Asia has an annual positive trade balance of between US\$1 billion and \$2 billion for agricultural products. In 2000, however, South Asia had a smaller trade surplus of US\$200 million for agricultural products, as they exported US\$7.2 billion and imported US\$7.0 billion of foodstuffs. The region imported less than 2% of the world's agricultural products, but 16% of the world's pulse crops (based on value).

Imports and Uses

Between 1990 and 2000 total imports decreased 7% to 1.1 Mt, and ranged from

a low of 624,000 Mt in 1991 to a high of 1.4 Mt in 1996. Decreased imports by India more than offset increased imports by Pakistan, Sri Lanka, and Bangladesh.

Since imported pulses are predominantly a food source for low and low-middle income classes, demand for pulses is price elastic. People will tend to consume less pulses and more grains or vegetables when pulse prices are relatively high, and will substitute readily between different pulse varieties based on price.

Imports of **dry peas** decreased by 16%, from 436,000 t in 1990 to 365,000 t in 2000. Decreased imports by India and Bangladesh more than offset increased imports by Pakistan, Sri Lanka, and Nepal. In 2000, the South Asian countries collectively imported 13.3% of world total dry pea imports. While India is the largest importer of dry peas in the region, Bangladesh and Pakistan also import substantial quantities.

The preferred variety of dry peas imported into India is yellow peas from Canada but green peas are also imported from Canada. Competition for the South Asian dry pea market comes from Australia with dun and yellow peas, the United States (US) with green peas, and France with both yellow and green peas.

Peas are consumed as split peas, whole peas and as flour. Peas are cooked and eaten as snack foods or used as fillers in traditional snacks such as *samosas*, and restaurants substitute dried peas for fresh peas in the off season. Split yellow peas and pea flour are increasingly being blended with similar looking, but more expensive, split chick peas and flour. They have also been blended with split pigeon peas.

Chick pea imports increased by 50% from 1990 to reach 297,000 t in 2000. A decrease in imports by India was more than offset by increased imports by Pakistan, Bangladesh, and Sri Lanka. Pakistan, India, Spain, and Bangladesh are consistently the world's largest importers of chick peas. In 2000, South Asian countries collectively imported 50% of the world's total chick pea imports.

South Asia is the primary destination for **desi** chick peas. A growing amount of **kabuli** chick peas are also imported by the subcontinent, typically as an alternative to desi chick peas, but larger calibre kabulis are also imported. Desis are imported from Canada and Australia, the main producers of desis, outside of India. For kabulis, most imports are 8-

9 millimetres and are imported from Canada, Turkey and the US. Smaller calibre kabulis are imported from Iran and Turkey, while larger calibre kabulis, consumed mostly at weddings, are sourced from Mexico.

Desi chick peas are usually dehulled and either split or ground into flour called *basan*. Split desi chick peas can be consumed as a vegetable side dish, while the *basan* is used to prepare various snack foods. The hulls are used as cattle feed. Kabuli chick peas are canned, cooked, or eaten whole, and are primarily consumed in northern India.

Imports of **lentils** increased 53% to reach 192,000 t in 2000. Increased imports were led by Sri Lanka, Pakistan, and Bangladesh, but India and Bhutan also increased their imports. In 2000, the South Asian countries collectively imported 19% of the world's total lentil imports.

In this region, Sri Lanka, Bangladesh, and Pakistan are the main importers of lentils. **Red** lentils are preferred by all countries in this region. India imports lentils and after splitting them, re-exports some supplies to Sri Lanka and Pakistan which don't have sufficient domestic splitting capacity. Sri Lanka also buys split red lentils directly, primarily from Turkey. Canada's red lentils face competition from Australia, Turkey, and Syria. Some green lentils, specifically **large green** varieties are imported from Canada and Turkey and can be split and mixed with pigeon peas.

Lentils are the main staple of the diet in Pakistan and Sri Lanka. Across the region, lentils are generally served along with rice in a dish called *dal*. *Dal*, garnished with onions and spices is offered at all establishments ranging from roadside eateries to five star hotels.

Dry bean imports decreased by 36% from 1990 to 116,000 t in 2000. The bean market is a low priced market served by Myanmar and China. Most dry beans

SOUTH ASIA: PULSE CROPS IMPORTS

| | 1990 | 1997 | 1998 | 1999 | 2000 |
|-----------------------------------|--------------|--------------|--------------|------------|--------------|
|thousand tonnes..... | | | | | |
| TOTAL PULSES ^{1/} | | | | | |
| Pakistan | 76 | 112 | 188 | 194 | 372 |
| India | 861 | 1,084 | 629 | 269 | 353 |
| Bangladesh | 184 | 103 | 108 | 233 | 233 |
| Sri Lanka | 44 | 118 | 119 | 122 | 122 |
| Other | 11 | 15 | 6 | 20 | 18 |
| Total ^{2/} | 1,176 | 1,432 | 1,050 | 838 | 1,098 |
| DRY PEAS | | | | | |
| India | 282 | 282 | 257 | 146 | 137 |
| Bangladesh | 147 | 49 | 70 | 118 | 118 |
| Pakistan | 3 | 3 | 30 | 43 | 85 |
| Other | 4 | 17 | 20 | 21 | 25 |
| Total ^{2/} | 436 | 351 | 377 | 328 | 365 |
| CHICK PEAS | | | | | |
| Pakistan | 26 | 20 | 21 | 15 | 165 |
| India | 160 | 381 | 110 | 11 | 64 |
| Bangladesh | 5 | 20 | 22 | 55 | 55 |
| Other | 7 | 14 | 15 | 17 | 13 |
| Total ^{2/} | 198 | 435 | 168 | 98 | 297 |
| LENTILS | | | | | |
| Sri Lanka | 36 | 83 | 77 | 74 | 74 |
| Bangladesh | 26 | 33 | 14 | 60 | 60 |
| Pakistan | 2 | 15 | 34 | 37 | 37 |
| India | 12 | 5 | 22 | 31 | 21 |
| Other | 0 | 1 | 0 | 0 | 0 |
| Total ^{2/} | 76 | 137 | 147 | 202 | 192 |
| DRY BEANS | | | | | |
| Pakistan | 21 | 42 | 63 | 67 | 58 |
| India | 154 | 115 | 97 | 39 | 43 |
| Other | 5 | 4 | 6 | 14 | 15 |
| Total ^{2/} | 180 | 161 | 166 | 120 | 116 |

^{1/} includes dry peas, chick peas, lentils, dry beans, broad beans, pigeon peas, and other pulses

^{2/} includes Bangladesh, Nepal, Sri Lanka, Bhutan, and Maldives

Source: FAO, May 2002

consumed in South Asia are eastern classes such as mung beans. Very few beans of the classes grown in North America are consumed in South Asia, so there is a very limited market for Canadian dry beans.

Consumption

Although the population grew 21% between 1990 and 2000, aggregate consumption did not change, remaining at 15.7 Mt. As a result, per capita consumption in South Asia fell 10% between 1989 and 1999 to 11.2 kilograms per person per year. Over the past 30 years, per capita consumption has fallen 19%. Increased per capita consumption by Sri Lanka and Bangladesh was more than offset by decreased consumption in India, Pakistan, Nepal, and Maldives.

Per capita consumption of pulses has declined mainly because production has failed to keep pace with population growth. As well, relative prices of pulses

CANADA: PULSE CROP EXPORTS TO SOUTH ASIA

1991 1998 1999 2000 2001

.....thousand tonnes.....

TOTAL PULSES ^{1/}

| | | | | | |
|----------------------------|----------|------------|------------|------------|------------|
| India | 6 | 310 | 240 | 386 | 714 |
| Bangladesh | 0 | 95 | 285 | 278 | 195 |
| Pakistan | 0 | 13 | 29 | 84 | 73 |
| Other | 0 | 2 | 3 | 6 | 6 |
| Total ^{2/} | 6 | 420 | 557 | 754 | 988 |

DRY PEAS

| | | | | | |
|----------------------------|------------|------------|------------|------------|------------|
| India | 282 | 302 | 226 | 317 | 610 |
| Bangladesh | 147 | 91 | 278 | 274 | 184 |
| Pakistan | 3 | 9 | 23 | 65 | 50 |
| Other | 4 | 0 | 0 | 0 | 0 |
| Total ^{2/} | 436 | 402 | 527 | 656 | 844 |

CHICK PEAS

| | | | | | |
|----------------------------|----------|----------|----------|-----------|------------|
| India | 0 | 4 | 2 | 59 | 75 |
| Pakistan | 0 | 0 | 0 | 16 | 14 |
| Bangladesh | 0 | 2 | 6 | 5 | 11 |
| Other | 0 | 0 | 1 | 1 | 0 |
| Total ^{2/} | 0 | 6 | 9 | 81 | 100 |

LENTILS

| | | | | | |
|----------------------------|----------|-----------|-----------|-----------|-----------|
| India | 0 | 5 | 13 | 9 | 30 |
| Pakistan | 0 | 4 | 5 | 3 | 9 |
| Sri Lanka | 0 | 2 | 3 | 4 | 4 |
| Other | 0 | 2 | 0 | 1 | 0 |
| Total ^{2/} | 0 | 13 | 21 | 17 | 43 |

^{1/} includes dry peas, chick peas, lentils, and dry beans

^{2/} includes India, Bangladesh, Pakistan, Sri Lanka, Nepal and Maldives

Source: Statistics Canada, May 2002

main export markets are India, Bangladesh and Pakistan. In 2000, Canadian sales of pulse crops to this region accounted for 28% of Canadian pulse exports, and 68% of South Asian pulse imports.

Canada has been very successful in exporting **dry peas** to South Asia because they are consumed as a low-cost substitute for desi chick peas. Due to economies of scale and the ability to ship peas in bulk, as opposed to in bags and containers, Canada enjoys the role as a preferred supplier of dry peas to price sensitive consumers in the South Asia market.

OUTLOOK

After decreased yields in 2001, India's annual harvest of pulse crops is expected to increase 20% to 12.0 Mt in 2002, due to improved monsoons and increased area seeded. Chick pea production is forecast at 5.1 Mt, up 41% from last year, while dry pea production is expected to increase 25% to 7.0 Mt.

Despite improved growing conditions and policy changes in India, South Asia will continue to be a major buyer of pulse crops. Production will have to increase very rapidly and continually to feed such a large, growing population and to improve per capita consumption rates.

For 2002, **Canadian** pulse production is forecast to increase due to improved yields. Exports are also expected to increase. Therefore, Canada will continue to be a preferred supplier to South Asia. With container service available to South Asian ports and the ability to service cost conscious consumers of pulses, especially dry peas, through its bulk handling facilities, Canada is well positioned to meet the future price and quality needs of the South Asian market.

For more information:

Deanna Gower

Market Analyst

Phone: (204) 983-8474

E-mail: gowerd@em.agr.ca

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524**

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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to cereals have been rising and reducing the quantity demanded. In India, consumption is declining on a per capita basis at almost the same rate that the population is growing, due to the widespread availability of dairy products and increased meat and vegetable consumption.

Canadian Exports

Canada has shown the largest growth in pulse exports worldwide over the past 10 years, and is now playing a crucial supply role for many importing nations. **Seeded area**, which is primarily located in western Canada, has grown 440% since 1991 to reach 2.8 Mha in 2001. During the same period, **production** grew 294% to 3.9 Mt, while **total exports** grew 550% to reach 2.9 Mt. Dry peas, lentils and chick peas lead both these increases.

During the same period, **exports** to South Asia increased exponentially from 6,000 t in 1991 to 988,000 t in 2001. The main pulse crops exported to South Asia are dry peas, chick peas and lentils, while the

In the 2002 budget, India increased the import duty on all pulse crops from 5% to 10%, however, it is unlikely that this increase will be large enough to discourage imports.

Furthermore, several initiatives were announced this year in **India**, including higher support payments for chick peas and lentils and the removal of export restrictions for pulses. The government of India realizes it needs to reform its agricultural sector by encouraging the production of more oilseeds and pulse crops at the expense of grains. To date, offered support payments, which are at or near market prices, are not high enough to encourage extra production. For 2002, the government of India increased support payments by less than 10%, which is not expected to impact production as support payments remain below market prices.

Elsewhere, **Pakistan** is still in a drought situation which is impacting negatively on production. Therefore imports by Pakistan will likely be similar to last year.

*While the Market Analysis Division assumes responsibility for all information contained in this bulletin,
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CANADA: GRAINS AND OILSEEDS OUTLOOK

May 31, 2002

The Statistics Canada (STC) seeding intentions survey, conducted during late March, indicates that, in Western Canada, the areas seeded to durum wheat, coarse grains and, to a lesser extent, canola and soybeans increased while the areas seeded to spring wheat, flaxseed, pulse and special crops decreased, as did the area in summerfallow. In Eastern Canada, the areas seeded to wheat and corn increased while soybean area decreased. Due to extremely dry conditions in Saskatchewan, AAFC's forecast for near-average yields in western Canada has been decreased from the April 29 report. In Eastern Canada, where most of the corn and soybeans are grown, moisture conditions are generally good and yields are expected to increase from the lows of 2001-02.

Total production of grains and oilseeds in Canada is forecast by AAFC to increase to 59.6 million tonnes (Mt) from 51.5 Mt in 2001-02. However, the supply of grains and oilseeds is forecast to increase only slightly, due to low carry-in stocks and a significant decrease in corn imports. Total exports are forecast to increase slightly to 24 Mt, as higher exports of coarse grains and oilseeds more than offset lower exports of spring wheat and durum. In Canada, wheat and coarse grain prices are expected to fall while oilseed prices rise slightly. Prices will be pressured by the expected strengthening of the Canadian dollar.

For 2002-03, US wheat prices (excluding durum) are expected to increase marginally from the 2001-02 level due to lower US and world ending stocks. Durum prices are expected to fall due to larger world supplies and rising stocks. US corn prices are expected to increase slightly due to lower ending stocks. Oilseed prices are expected to increase slightly due to higher edible oil prices, despite burdensome world oilseed supplies. The recently passed US *Farm Security and Rural Investment Act* is not expected to have a significant impact on area seeded in the US for 2002-03 because winter wheat had already been planted last fall and seeding decisions for other crops, in general, had been made prior to the passage of the Act. The major factors to watch are: growing conditions in the major importing and exporting regions, the aggressiveness of the EU with export subsidies, China's policy on imports of GMO products and the expected depreciation of the US dollar.

WHEAT (ex-durum)

For 2002-03, production is forecast to increase slightly, with a lower seeded area more than offset by higher yields. Total supplies are expected to fall by 4%, due to lower carry-in stocks. Exports are forecast to decline by 6%, to 11.5 Mt, the second lowest since 1988-89, and well below the 10-year average of 16 Mt. Feed use is expected to rise due to strong hog feed demand, assuming that a return to a normal grade distribution provides increased supplies of lower quality wheat. Carry-out stocks are forecast to fall by 9%, to 5 Mt, the lowest since 1995-96. The Canadian Wheat Board (CWB) May Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$187/t, in-store Vancouver/St. Lawrence, vs. \$199/t for 2001-02. Ontario winter wheat production is forecast to rise by 8% to 1.1 Mt, due to lower abandonment.

DURUM

Production is forecast to rise by 48%, to 4.5 Mt, due to higher expected area seeded and yields, but remain below the 5-year average of 5 Mt. This will be largely offset by a 50% drop in carry-in stocks, so that supplies will be just marginally higher than 2001-02. Exports are forecast to decline slightly, due to increased competition from other exporters. Domestic use is expected to rise slightly due to increased feed use. Carry-out stocks are projected to rise slightly, to 1.5 Mt, but remain well below the 5-year average of 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$235/t I/S VC/SL, vs. \$254/t for 2001-02. The premium over No.1 CWRS 11.5% is forecast at \$48/t vs. \$55/t for 2001-02.

BARLEY

Barley production is forecast to increase mainly due to higher seeded area and higher yields. Abandonment is forecast to decline but remain above the five year average due to strong demand for fodder. Increased barley supplies

are expected to result in higher feed use and exports, although feed barley exports are expected to remain well-below the five-year average. Carry-out stocks are forecast to be higher than in 2001-02. Off-Board feed barley prices are expected to decrease significantly. The CWB PRO for No.1 CW Feed Barley is \$134/t vs. \$177/t for 2001-02. The CWB PRO for Special Select Two Row Designated Barley is \$180/t vs. \$212/t for 2001-02. The decrease is due to increased North American supplies and strong offshore competition.

OATS

Production is forecast to rise sharply, due to higher seeded area and improved yields. The abandonment rate is expected to decline but remain high due to strong demand for fodder. Larger supplies are expected to result in increased exports and higher carry-out stocks. Prices are forecast to fall sharply to \$120-150/t, due to increased production in Canada, the US, and the EU. Oats are expected to be priced competitively with other feed grains.

CORN

Corn production is forecast to rise sharply, due to higher area seeded and increased yields. Imports are expected to fall sharply, due to higher barley production in Western Canada and higher corn production in Eastern Canada. Feed use of corn is expected to decline, primarily as a result of the larger supplies of barley in Western Canada. Carry-out stocks are forecast to increase. Chatham corn prices are forecast to fall to \$105-135/t, despite higher US prices, due to larger domestic corn supplies.

CANOLA

Production is expected to fall marginally due to lower yields, but supplies are forecast to increase marginally due to a slight increase in carry-in stocks. Domestic crush and exports are both projected to rise, supported by higher world vegetable oil prices. Carry-out stocks are

forecast to fall by about 40%, but remain adequate. Prices are expected to rise slightly to \$340-370/t, as support from higher soyoil and palmoil prices is largely offset by higher Canadian supplies and low protein meal prices

FLAXSEED (excluding solin)

Production is expected to increase slightly as the expected increase in average yields more than offsets the slight drop in seeded area. Supplies are forecast to decrease, due to lower carry-in stocks. Exports are forecast to be the same as 2001-02. Carry-out stocks are expected to decline by 33%, supporting an increase in prices to \$310-340/t.

SOYBEANS

Production is forecast to rise significantly due to a return to near normal yields, following the historically low yields of 2001-02, which more than offsets the drop in harvested area. Supplies are forecast to increase, as the rise in production more than offsets the drop in imports. Exports are expected to increase significantly to 5% above the 5-year average, following the significant decline in 2001-02. Domestic crush is forecast to remain unchanged at near-record high volumes. Carry-out stocks are expected to remain stable, while prices are forecast to increase slightly, to \$250-280/t, due to higher US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-maillennoxg@em.agr.ca
Coarse Grains..Dennis Jackson 983-8461
E-mailjacksond@em.agr.ca
Oilseeds.....Chris Beckman984-4929
E-mailbeckmac@em.agr.ca
Fred Oleson, Chief983-0807
E-mailolesonf@em.agr.ca

www.agr.gc.ca/mad-dam/

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

May 31, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Carry- Stocks | Average Price (e) \$/t |
|-----------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 2000-2001 | 2,614 | 2.16 | 5,647 | 10 | 7,432 | 3,486 | 255 | 596 | 1,065 | 2,882 | 242.61 |
| 2001-2002f | 2,100 | 1.45 | 3,055 | 10 | 5,947 | 3,650 | 260 | 357 | 847 | 1,450 | 254 * |
| 2002-2003f | 2,355 | 1.92 | 4,525 | 10 | 5,985 | 3,600 | 265 | 390 | 885 | 1,500 | 235 * |
| Wheat Except Durum | | | | | | | | | | | |
| 2000-2001 | 8,349 | 2.53 | 21,157 | 50 | 27,171 | 13,263 | 2,760 | 3,619 | 7,272 | 6,636 | 182.41 |
| 2001-2002f | 8,910 | 2.05 | 18,228 | 60 | 24,924 | 12,200 | 2,785 | 3,636 | 7,224 | 5,500 | 199 * |
| 2002-2003f | 8,190 | 2.26 | 18,500 | 10 | 24,010 | 11,500 | 2,840 | 3,810 | 7,510 | 5,000 | 187 * |
| All Wheat | | | | | | | | | | | |
| 2000-2001 | 10,963 | 2.44 | 26,804 | 60 | 34,604 | 16,749 | 3,015 | 4,215 | 8,337 | 9,518 | |
| 2001-2002f | 11,010 | 1.93 | 21,282 | 70 | 30,870 | 15,850 | 3,045 | 3,993 | 8,070 | 6,950 | |
| 2002-2003f | 10,545 | 2.18 | 23,025 | 20 | 29,995 | 15,100 | 3,105 | 4,200 | 8,395 | 6,500 | |
| Barley | | | | | | | | | | | |
| 2000-2001 | 4,551 | 2.96 | 13,468 | 40 | 16,346 | 2,639 | 359 | 10,444 | 11,240 | 2,466 | 128.85 |
| 2001-2002f | 4,354 | 2.61 | 11,355 | 100 | 13,921 | 1,650 | 330 | 9,486 | 10,271 | 2,000 | 150-160 |
| 2002-2003f | 4,840 | 2.90 | 14,015 | 40 | 16,055 | 2,400 | 330 | 10,470 | 11,255 | 2,400 | 120-150 |
| Corn | | | | | | | | | | | |
| 2000-2001 | 1,088 | 6.27 | 6,827 | 2,872 | 11,251 | 104 | 2,145 | 8,088 | 10,267 | 880 | 120.04 |
| 2001-2002f | 1,233 | 6.60 | 8,171 | 3,000 | 12,051 | 150 | 2,200 | 8,892 | 11,126 | 775 | 120-130 |
| 2002-2003f | 1,330 | 7.17 | 9,540 | 1,300 | 11,615 | 300 | 2,250 | 8,156 | 10,440 | 875 | 105-135 |
| Oats | | | | | | | | | | | |
| 2000-2001 | 1,299 | 2.61 | 3,389 | 8 | 4,519 | 1,759 | 111 | 1,620 | 1,906 | 854 | 114.49 |
| 2001-2002f | 1,282 | 2.16 | 2,769 | 60 | 3,683 | 1,475 | 150 | 1,500 | 1,833 | 375 | 195-205 |
| 2002-2003f | 1,655 | 2.40 | 3,975 | 5 | 4,355 | 1,700 | 150 | 1,632 | 1,955 | 700 | 120-150 |
| Rye | | | | | | | | | | | |
| 2000-2001 | 115 | 2.27 | 260 | 5 | 426 | 89 | 68 | 175 | 260 | 77 | |
| 2001-2002f | 102 | 1.90 | 194 | 5 | 276 | 65 | 62 | 100 | 176 | 35 | |
| 2002-2003f | 111 | 2.12 | 235 | 5 | 275 | 70 | 64 | 82 | 165 | 40 | |
| Mixed Grains | | | | | | | | | | | |
| 2000-2001 | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002f | 133 | 2.79 | 371 | 0 | 371 | 0 | 0 | 371 | 371 | 0 | |
| 2002-2003f | 150 | 2.87 | 430 | 0 | 430 | 0 | 0 | 430 | 430 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 2000-2001 | 7,181 | 3.39 | 24,327 | 2,925 | 32,924 | 4,592 | 2,683 | 20,709 | 24,056 | 4,277 | |
| 2001-2002f | 7,105 | 3.22 | 22,859 | 3,165 | 30,301 | 3,340 | 2,742 | 20,349 | 23,777 | 3,185 | |
| 2002-2003f | 8,086 | 3.49 | 28,195 | 1,350 | 32,730 | 4,470 | 2,794 | 20,770 | 24,245 | 4,015 | |
| Canola | | | | | | | | | | | |
| 2000-2001 | 4,816 | 1.48 | 7,126 | 224 | 9,507 | 4,838 | 3,013 | 606 | 3,651 | 1,018 | 290.70 |
| 2001-2002f | 3,886 | 1.30 | 5,062 | 250 | 6,330 | 2,500 | 2,300 | 385 | 2,730 | 1,100 | 340-360 |
| 2002-2003f | 3,942 | 1.28 | 5,050 | 250 | 6,400 | 2,700 | 2,600 | 405 | 3,050 | 650 | 340-370 |
| Flaxseed | | | | | | | | | | | |
| 2000-2001 | 591 | 1.17 | 693 | 11 | 1,090 | 613 | n/a | n/a | 218 | 259 | 261.03 |
| 2001-2002f | 652 | 1.08 | 702 | 10 | 971 | 625 | n/a | n/a | 196 | 150 | 305-325 |
| 2002-2003f | 629 | 1.15 | 725 | 10 | 885 | 625 | n/a | n/a | 160 | 100 | 310-340 |
| Soybeans | | | | | | | | | | | |
| 2000-2001 | 1,061 | 2.55 | 2,703 | 431 | 3,386 | 747 | 1,697 | 693 | 2,459 | 180 | 256.09 |
| 2001-2002f | 1,031 | 1.53 | 1,582 | 1,000 | 2,762 | 450 | 1,700 | 392 | 2,162 | 150 | 250-270 |
| 2002-2003f | 975 | 2.68 | 2,610 | 400 | 3,160 | 800 | 1,700 | 440 | 2,210 | 150 | 250-280 |
| Total Oilseeds | | | | | | | | | | | |
| 2000-2001 | 6,468 | 1.63 | 10,522 | 666 | 13,983 | 6,199 | 4,710 | 1,299 | 6,328 | 1,457 | |
| 2001-2002f | 5,568 | 1.32 | 7,346 | 1,260 | 10,063 | 3,575 | 4,000 | 777 | 5,088 | 1,400 | |
| 2002-2003f | 5,546 | 1.51 | 8,385 | 660 | 10,445 | 4,125 | 4,300 | 845 | 5,420 | 900 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 2000-2001 | 24,612 | 2.51 | 61,653 | 3,651 | 81,511 | 27,540 | 10,408 | 26,223 | 38,720 | 15,252 | |
| 2001-2002f | 23,683 | 2.17 | 51,488 | 4,495 | 71,235 | 22,765 | 9,787 | 25,118 | 36,935 | 11,535 | |
| 2002-2003f | 24,177 | 2.47 | 59,605 | 2,030 | 73,170 | 23,695 | 10,199 | 25,815 | 38,060 | 11,415 | |

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRs 11.5% protein and No.1 CWAD 11.5% protein (CWB final price I/S St. Lawrence/Vancouver); Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (US No. 2 Heavy, CBoT nearby futures); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* May CWB PRO

f: forecast, Agriculture and Agri-Food Canada, May 31, 2002

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

May 31, 2002

Area seeded to pulse and special crops for 2002-03 in Canada is forecast to decrease by 5% from 2001-02, as a higher seeded area for dry beans, mustard seed, canary seed, sunflower seed and buckwheat, is more than offset by a lower area for dry peas, lentils and chick peas. Statistics Canada's (STC) seeding intentions survey, conducted during the period of March 23-31 and released on April 24, provided estimates of areas seeded for most of the pulse and special crops by province but, in some cases, the area seeded has been forecast by AAFC. The actual seeded area may differ due to changes in market outlook, expected prices, spring weather conditions, as well as producer reaction to the STC seeding intentions report. Although most of the seeding has been completed, the STC seeded area estimate will not be available until June 28, 2002. It is assumed that precipitation will be normal for the summer. However, soil moisture reserves are poor in most of Saskatchewan and parts of Alberta and Manitoba. Average yields are forecast to be lower and abandonment rates higher than normal for dry peas, lentils, chick peas, mustard seed and canary seed because these crops are grown mostly in the dry areas. For dry beans, sunflower seed and buckwheat, normal yields and abandonment rates are forecast because these crops are mostly grown in areas with better moisture conditions. The main factor to watch will be precipitation in western Canada during summer. The inclusion of dry peas, lentils and small chick peas under the loan program in the US is not expected to have a significant impact on the US seeded area for these crops in 2002-03 because seeding was already in progress when the Farm Security and Rural Investment Act was passed.

For 2002-03, total pulse and special crops production is forecast to increase by 17%, compared to 2001-02, to 4.4 million tonnes (Mt). Total supply is expected to increase by only 7% because of lower carry-in stocks. Total exports and domestic use are forecast to increase due to the higher supply and strong demand, resulting in lower carry-out stocks. Average prices, compared to 2001-02, are forecast to increase for lentils and sunflower seed, but forecast to decrease for dry peas, dry beans, mustard seed and canary seed, and to be stable for chick peas and buckwheat. However, prices are expected to be very sensitive to any production problems in Canada and importing and other exporting countries, due to low world carry-in stocks.

DRY PEAS

For 2002-03, production is forecast to increase by 12%, as a 10% decrease in seeded area is more than offset by higher yields. Total supply is forecast to increase by 9% because of lower carry-in stocks. Total world supply is expected to be similar to 2001-02 at 11.1 Mt. Canadian exports are forecast to increase, with a larger portion going into the feed market as demand in the food market is expected to decrease because of better domestic pulse crops supply in India. Carry-out stocks are forecast to remain low with a stocks-to-use (s/u) ratio of 4%. Prices are expected to be pressured by lower protein meal and feed grain prices, lower food market demand and higher Canadian supply. The average price, over all types, grades and markets, is forecast to decrease 10-15%, as compared to 2001-02.

LENTILS

Production is forecast to increase by 7%, as a 21% decrease in seeded area is more than offset by higher yields. Production is expected to increase for large and medium green lentils, decrease for small green lentils and be stable for red lentils. Total supply is forecast decrease by 7% due to lower carry-in stocks. Total world supply is expected to decrease slightly to 3.7 Mt. Canadian exports are expected to be similar to 2001-02. Carry-out stocks are forecast to decrease to a low level, with a s/u ratio of 5%. The average price, over all types and grades, is forecast to increase by about 5%, due to the lower supply.

DRY BEANS

Production is forecast to increase by 37%, due to a 29% increase in seeded area and higher yields. Production of white pea beans is forecast to increase by 70% to 170,000 t, while production of coloured beans increases by 16% to 180,000 t. Total supply is expected to increase by only 13% because of lower carry-in stocks. Exports are forecast to increase because of the larger supply and strong demand, and carry-out stocks are expected to remain at a low level, with a s/u ratio

of 4%. US production is expected to increase by 40%. Total US and Canadian supply is expected to increase by only 10%, due to lower carry-in stocks. The average price, over all classes and grades, is forecast to decrease by 15-20% because of increased supply.

CHICK PEAS

Production is forecast to decrease by 10%, as a 25% decrease in seeded area is partly offset by higher yields. Production of the desi type is forecast to increase, while production of the large and small kabuli types decreases. Total Canadian supply is forecast to increase slightly due to higher carry-in stocks. Total world supply is expected to remain stable at about 8 Mt. Canadian exports are forecast to increase as Canada's share of total world supply increases. Carry-out stocks are forecast to decrease, with a s/u ratio of 12%. Lower production is expected to support prices of the large kabuli type, while higher supply in India is expected to pressure prices of the desi type. The average price over all types, sizes and grades is forecast to be the same as in 2001-02.

MUSTARD SEED

Production is forecast to increase by 160% due to a 110% increase in seeded area and higher yields. Production is expected to increase for all three types, yellow, brown and oriental. Total supply is forecast to increase by only 27%, due to lower carry-in stocks. Exports are expected to increase because of the higher supply. Carry-out stocks are forecast to remain low, with a s/u ratio of 7%. The average price, over all types and grades, is forecast to decrease by about 30% because of increased supply.

CANARY SEED

Production is forecast to increase by 95%, due to a 36% increase in seeded area and higher yields. Total supply is forecast to increase by only 14%, due to lower carry-in stocks. Total world supply is forecast to increase by 15% to 250,000 t. Exports are expected to increase, because of the

higher supply. Carry-out stocks are forecast to remain very low. The average price is forecast to decrease by about 30% because of increased supply.

SUNFLOWER SEED

Production is forecast to increase by 43%, due to a 33% in seeded area and higher yields. Confectionary sunflower seed production is expected to increase by 30% to 100,000 t, while oil sunflower seed production is expected to nearly double to 40,000 t. Total supply is forecast to increase by only 7% because of lower carry-in stocks. Exports are expected to remain stable, while domestic use increases in line with the growing domestic bird seed and confectionary processing industries. Carry-out stocks are forecast to remain low, with a s/u ratio of 7%. Total world supply is expected to increase by 3% to 22.8 Mt. Total US and Canadian supply of the confectionary type is expected to decrease significantly, while the total supply for the oilseed type decreases only slightly. The lower total US and Canadian supply is expected to support prices for the confectionary type, while higher world supply is expected to pressure prices for the oilseed type. Therefore, the average price in Canada, over both confectionary and oilseed types, is forecast to increase slightly because of stronger prices for the confectionary type.

BUCKWHEAT

Production is forecast to increase by 7%, due to a higher seeded area. Total use is forecast to rise. The average price over all grades and markets is forecast to be the same as in 2001-02, in line with stable world total supply of about 3.4 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mail skrypetzs@em.agr.ca
Fred Oleson, Chief(204) 983-0807
E-mail.....olesonf@em.agr.ca

CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

May 31, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Carry-out Stocks | Average Price (e) \$/t |
|--|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|---------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 | 1,220 | 2.35 | 2,864 | 12 | 3,276 | 2,196 | 885 | 195 | 138 |
| 2001-2002f | 1,394 | 1.58 | 2,196 | 15 | 2,406 | 1,500 | 756 | 150 | 175-195 |
| 2002-2003f | 1,270 | 1.94 | 2,465 | 15 | 2,630 | 1,700 | 830 | 100 | 145-175 |
| Lentils | | | | | | | | | |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 | 688 | 1.33 | 914 | 5 | 999 | 550 | 243 | 206 | 295 |
| 2001-2002f | 691 | 0.85 | 585 | 5 | 796 | 525 | 161 | 110 | 305-325 |
| 2002-2003f | 560 | 1.12 | 625 | 5 | 740 | 525 | 180 | 35 | 315-345 |
| Dry Beans | | | | | | | | | |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 | 165 | 1.62 | 268 | 40 | 348 | 227 | 71 | 50 | 465 |
| 2001-2002f | 150 | 1.70 | 255 | 25 | 330 | 260 | 65 | 5 | 710-730 |
| 2002-2003f | 202 | 1.73 | 350 | 20 | 375 | 280 | 80 | 15 | 570-600 |
| Chick Peas | | | | | | | | | |
| 1998-1999 | 40 | 1.33 | 53 | 2 | 56 | 14 | 37 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 | 283 | 1.37 | 388 | 5 | 408 | 179 | 199 | 30 | 410 |
| 2001-2002f | 476 | 0.98 | 465 | 8 | 503 | 230 | 178 | 95 | 370-390 |
| 2002-2003f | 360 | 1.15 | 415 | 5 | 515 | 270 | 190 | 55 | 365-395 |
| Mustard Seed | | | | | | | | | |
| 1998-1999 | 279 | 0.86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 | 208 | 0.97 | 202 | 1 | 318 | 151 | 67 | 100 | 280 |
| 2001-2002f | 132 | 0.67 | 89 | 1 | 190 | 135 | 50 | 5 | 620-640 |
| 2002-2003f | 279 | 0.84 | 235 | 1 | 241 | 160 | 66 | 15 | 430-460 |
| Canary Seed | | | | | | | | | |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 | 164 | 1.04 | 171 | 0 | 261 | 170 | 21 | 70 | 265 |
| 2001-2002f | 140 | 0.66 | 92 | 0 | 162 | 140 | 17 | 5 | 640-660 |
| 2002-2003f | 195 | 0.92 | 180 | 0 | 185 | 155 | 25 | 5 | 445-475 |
| Sunflower Seed | | | | | | | | | |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 | 69 | 1.72 | 119 | 18 | 178 | 77 | 70 | 31 | 320 |
| 2001-2002f | 63 | 1.56 | 98 | 20 | 149 | 80 | 64 | 5 | 340-360 |
| 2002-2003f | 86 | 1.63 | 140 | 15 | 160 | 80 | 70 | 10 | 345-375 |
| Buckwheat | | | | | | | | | |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 | 15 | 0.93 | 14 | 1 | 16 | 9 | 7 | 0 | 305 |
| 2001-2002f | 12 | 1.17 | 14 | 1 | 15 | 8 | 7 | 0 | 315-335 |
| 2002-2003f | 13 | 1.15 | 15 | 1 | 16 | 9 | 7 | 0 | 310-340 |
| Total Pulse and Special Crops (c) | | | | | | | | | |
| 1998-1999 | 2,156 | 1.70 | 3,660 | 109 | 4,301 | 2,634 | 1,036 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 | 2,812 | 1.76 | 4,940 | 82 | 5,804 | 3,559 | 1,563 | 682 | |
| 2001-2002f | 3,058 | 1.24 | 3,794 | 75 | 4,551 | 2,878 | 1,298 | 375 | |
| 2002-2003f | 2,965 | 1.49 | 4,425 | 62 | 4,862 | 3,179 | 1,448 | 235 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, May 31, 2002.

Source: Statistics Canada and industry consultations.



Agriculture and
Agri-Food Canada

Agriculture et
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Bi-weekly Bulletin

June 7, 2002 Volume 15 Number 11



LENTILS / FABABEANS

LENTILS: SITUATION AND OUTLOOK

Canada is the largest exporter and second largest producer of lentils in the world. Lentils are the second largest pulse crop produced in Canada, after dry peas. Production has increased sharply since 1991-1992 and the value of Canadian exports has increased to nearly \$300 million (M). For 2002-2003, Canadian total supply is expected to decrease significantly as a slight increase in production is offset by lower carry-in stocks. Therefore, exports and carry-out stocks are forecast to decrease. Over the medium-term, United States (US) government subsidies provided to lentil producers under the Farm Security and Rural Investment Act (FSRIA) of 2002 are expected to increase lentil production in the US and negatively impact lentil prices and income for Canadian lentil producers. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for lentils.

BACKGROUND

Lentils are best adapted to production in the cooler temperate zones of the world or in the winter season in countries, such as India and Australia, which have a warm winter and a hot summer. The seed coat colour of lentils can be clear, light green, deep purple, mottled, grey, brown or black. The cotyledon is yellow, red or green. The two main market classes are red and green. Green lentils are usually marketed whole, while red lentils are mostly marketed in split form.

Lentil production in Canada started in 1970. Since then Canadian production has increased in response to market signals and contributed to the diversification of crop production in the Prairie provinces, especially in Saskatchewan. The increase in lentil production has proven to be valuable in crop rotations which help to control weeds, diseases and insects and improve soil texture and fertility. The increased production also contributed to the expansion of the pulse crops handling, marketing and processing industry, which increased employment opportunities in rural areas.

Lentils are a cool season crop with a restricted root system which is only

moderately resistant to high temperatures and drought. They do not tolerate water logging, flooding or soils with high salinity. In the Prairie provinces of Canada, lentils are best suited to the Brown and Dark Brown soil zones, but can be grown successfully in the Black soil zone in years without excessive moisture. Lentils work well in a rotation with cereals, such as spring or durum wheat. Nitrogen fertilizer is not recommended because lentils possess the ability to fix nitrogen in nodules on the roots, where it can be used for plant growth. The nitrogen fixed by lentils is also used by other crops in the following years. To maximize the nitrogen fixation ability, lentil seed should be

inoculated. Lentils require 90-100 days to mature and should be seeded as soon as the soil temperature is greater than 5° Celsius.

WORLD: LENTIL SUPPLY AND DISPOSITION

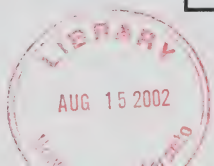
| | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002 | 2002 -2003f |
|---------------------------|---------------|---------------|---------------|---------------|----------------|
|thousand tonnes..... | | | | | |
| India | 805 | 938 | 1,054 | 1,050 | 1,000 |
| Canada* | 480 | 724 | 914 | 585 | 590 |
| Turkey** | 540 | 380 | 350 | 480 | 480 |
| Australia*** | 46 | 103 | 164 | 266 | 240 |
| Nepal | 114 | 132 | 137 | 143 | 130 |
| United States**** | 88 | 108 | 137 | 131 | 130 |
| Bangladesh | 163 | 165 | 128 | 128 | 130 |
| China | 128 | 100 | 116 | 120 | 110 |
| Iran | 95 | 63 | 78 | 75 | 75 |
| Syria | 154 | 43 | 73 | 77 | 75 |
| Other | 190 | 195 | 212 | 202 | 200 |
| Total Production | 2,803 | 2,951 | 3,363 | 3,257 | 3,160 |
| Carry-in Stocks (e) | 250 | 250 | 300 | 500 | 500 |
| Total Supply | 3,053 | 3,201 | 3,663 | 3,757 | 3,660 |
| Total Use (e) | 2,803 | 2,901 | 3,163 | 3,257 | 3,360 |
| Carry-out Stocks (e) | 250 | 300 | 500 | 500 | 300 |
| Harvested Area (tha) | 3,207 | 3,213 | 3,357 | 3,332 | 3,300 |
| Average Yields (t/ha) | 0.87 | 0.92 | 1.00 | 0.98 | 0.96 |

e: estimate, AAFC, June 2002

f: forecast, AAFC, Pulse Australia and USDA Attache, June 2002

Source: FAO, except *Statistics Canada, **FAO/USDA Attache-June 2002,

Pulse Australia, *USDA



Canada

WORLD

Production

World lentil production has been trending upwards from 2.65 million tonnes (Mt) in 1991-1992 to 3.36 Mt in 2000-2001, but decreased slightly to 3.26 Mt in 2001-2002. Most of the growth occurred in Canada which produced 13% of world lentils in 1991-1992 and 27% in 2000-2001. However, the Canadian share of world production decreased to 18% in 2001-2002 as Canadian production fell sharply because of drought. During this period, Australia was the only other country to have large growth in lentil production, while production in Turkey decreased significantly. The top three producing countries (India, Canada, and Turkey) accounted for nearly 70% of world production. Although specific data is not available, an estimated 70% of world lentil production is the red type, with the remainder mostly green.

Consumption and Trade

Lentils are used almost exclusively for human consumption in soups, stews,

salads, casseroles, and vegetarian dishes. They are high in fibre, a major source of complex carbohydrates, high in protein, rich in B vitamins and minerals and low in sodium and fat. Lentil flour is added to cereal flour to make breads, cakes and baby foods. Lentils are often used as a meat extender or substitute

because of the high protein content and quality, and are also used in gluten-free, diabetic, low salt, low calorie, low cholesterol, and high fibre diets. Lentils have a shorter cooking time than other pulses. In southern Asia, split red lentils are used in curries and boiled to make *dhal*.

On average, about 70% of lentils are consumed in the countries where they are produced. Total world use has been increasing by about 3% per year during the past 10 years.

During the 1990s, world trade has been trending upwards from 0.42 Mt in 1991 to 1.09 Mt in 2000, the latest year for which trade data is available. In 2000, the top four exporting countries (Canada, India, Australia, and Turkey) accounted for 87% of world exports.

About 55% of the exports were red lentils and the remainder were mostly green. Although Canada accounted for 48% of world exports in 2000, its share was about 55% if re-exports are not considered. Imports were distributed much more widely than exports, with the top 15 importing countries accounting for 76% of imports. Turkey was the largest importing country, with most of the imports coming from Canada. However, most of the imports were for re-export, either whole or after splitting. Turkish dealers used the imported lentils to supply their customers in the Middle-East, northern Africa, southern Asia and Europe.

CANADA: LENTIL SUPPLY AND DISPOSITION

| | August - July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002e | 2002 -2003f |
|-----------------------------------|----------------------------|---------------|---------------|---------------|----------------|----------------|
| Harvested Area (thousand ha) | | 372 | 497 | 688 | 691 | 560 |
| Yield (t/ha) | | 1.29 | 1.46 | 1.33 | 0.85 | 1.05 |
|thousand tonnes..... | | | | | | |
| Carry-in Stocks | | 65 | 60 | 80 | 206 | 110 |
| Production | | 480 | 724 | 914 | 585 | 590 |
| Imports | | 7 | 10 | 5 | 5 | 5 |
| Total Supply | | 552 | 794 | 999 | 796 | 705 |
| Exports | | 372 | 503 | 550 | 525 | 510 |
| Total Domestic Use | | 120 | 211 | 243 | 161 | 175 |
| Total Use | | 492 | 714 | 793 | 686 | 685 |
| Carry-out Stocks | | 60 | 80 | 206 | 110 | 20 |
| Stocks-to-use ratio (%) | | 12 | 11 | 26 | 16 | 3 |
| Average producer price (CAN\$/t)* | | 381 | 380 | 295 | 305 | 320 |
| | | | | | -325 | -350 |
| Harvested Area (thousand ac.) | | 919 | 1,228 | 1,700 | 1,707 | 1,384 |
| Yield (lbs/ac.) | | 1,151 | 1,300 | 1,185 | 755 | 939 |
| Production (Mlb) | | 1,058 | 1,596 | 2,015 | 1,290 | 1,300 |
| Average producer price (CAN\$/lb) | | 0.173 | 0.172 | 0.134 | 0.138 | 0.145 |
| | | | | | -0.147 | -0.158 |

* Average over all types and grades.

e: estimate, AAFC, June 2002

f: forecast, AAFC, June 2002

Source: Statistics Canada and AAFC

WORLD: LENTIL IMPORTS AND EXPORTS

calendar year 1996 1997 1998 1999 2000
.....thousand tonnes.....

IMPORTS

| | | | | | |
|--------------|------------|------------|------------|------------|--------------|
| Turkey | 7 | 81 | 79 | 65 | 141 |
| Egypt | 78 | 77 | 78 | 78 | 77 |
| Sri Lanka | 56 | 83 | 77 | 74 | 74 |
| Algeria | 48 | 44 | 60 | 58 | 72 |
| Colombia | 30 | 55 | 42 | 50 | 67 |
| Bangladesh | 29 | 33 | 14 | 60 | 60 |
| Spain | 58 | 46 | 52 | 50 | 50 |
| Morocco | 9 | 5 | 10 | 19 | 41 |
| Germany | 22 | 22 | 24 | 24 | 37 |
| Pakistan | 34 | 15 | 34 | 37 | 37 |
| France | 34 | 26 | 29 | 34 | 36 |
| Italy | 24 | 24 | 26 | 24 | 28 |
| Mexico | 23 | 25 | 26 | 24 | 26 |
| Peru | 29 | 19 | 27 | 18 | 25 |
| India | 66 | 5 | 22 | 31 | 21 |
| Other | 220 | 250 | 233 | 236 | 245 |
| Total | 767 | 810 | 833 | 882 | 1,037 |

EXPORTS

| | | | | | |
|---------------|------------|------------|------------|------------|--------------|
| Canada* | 289 | 317 | 374 | 417 | 519 |
| India | 24 | 131 | 67 | 147 | 191 |
| Australia | 1 | 1 | 1 | 25 | 134 |
| Turkey | 246 | 127 | 154 | 105 | 100 |
| United States | 55 | 53 | 53 | 76 | 80 |
| China | 11 | 18 | 26 | 22 | 18 |
| Syria | 161 | 134 | 56 | 40 | 16 |
| Nepal | 11 | 15 | 31 | 32 | 2 |
| Other | 21 | 20 | 23 | 31 | 29 |
| Total | 819 | 816 | 785 | 895 | 1,089 |

The difference between imports and exports is attributed to the timing of delivery.

Source: FAO, except *Statistics Canada, June 2002

CANADA

Production

Canadian production reached a record of 914,000 tonnes (t) in 2000-2001, but fell to 585,000 t in 2001-2002 because of drought. Saskatchewan produced about 98% of Canadian lentils and the remainder were produced in Alberta and Manitoba. Canada is the main producer of green lentils in the world, accounting for about 60% of world production. However, production of red lentils has been increasing and Canada has become a significant producer. Canadian production of French green (dark green speckled) and Spanish brown (Pardina) lentils is small, accounting for only about 2% of total Canadian lentil production. The Canadian lentil harvest generally occurs during the period from mid-August to early October.

Most of the lentils produced in Canada have a green seed coat and yellow cotyledon. They are normally referred to as large green, medium green and small green, based on the seed size. Large green lentils include the Laird, Glamis, Sovereign, Grandora and Sedley varieties. Their seed size is 60-70 grams/1000 seeds. Medium green lentils include the Richlea and Vantage varieties, with seed size of 50-55 grams/1000 seeds. Small green lentils include the Eston and Milestone varieties, with seed size of about 35 grams/1000 seeds. Canadian red lentils have a brown or pale green seed coat with red cotyledons. Red lentil varieties include

Crimson, Redwing, Redcap, Robin and Blaze, with seed size of 30-40 grams/1000 seeds.

Marketing

All of the lentils produced in Canada are sold on the open market to dealers. The number of dealers across the Prairie Provinces who buy, clean and ship lentils to domestic and export customers has increased to about 50, with the increase in production. The dealers range from large corporations to small family-owned businesses. In recent years, producers have invested in several new plants which handle pulse crops, including lentils. There are several processing plants in Saskatchewan capable of de-hulling and splitting red and green lentils for the world market. Some lentils are grown under production contracts, which guarantee a price for part of the production, but most are sold on the spot market. Lentils are shipped to ports mainly bagged in containers, although bulk shipments have been increasing with the building of suitable handling facilities. From the ports to overseas customers, they are shipped mainly bagged in containers, although some are also shipped bulk in containers or bulk inside the hold of ships. Most of the Canadian lentils are exported through the ports of Vancouver and Montreal. In addition to whole lentils, Canada also exports split lentils. The export of split lentils is expected to increase, as the Canadian splitting capacity expands through the construction of new plants.

The Canadian Special Crops Association (CSCA) (www.specialcrops.mb.ca) is an industry organization representing traders, exporters and processors of pulse and special crops, including lentils. Pulse Canada (www.pulsecanada.com) is an industry organization, with the CSCA and provincial pulse growers' organizations as members. It is involved in policy issues,

coordinating research efforts and market development.

The Canadian Grain Commission (CGC) establishes quality standards for lentils. The grades are No. 1, 2, 3 and extra 3 Canada other than Red, and No. 1, 2, 3 and extra 3 Canada Red. Lentils which do not meet the listed grade standards are graded Sample Canada. The major quality concerns in lentil grading are damage due to heating and peeling, split or broken seed, seed discolouration, as well as foreign material. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: www.grainscanada.gc.ca.

Prices

Canadian prices are largely determined in the international markets because Canada exports about 75% of its production. However, since Canada produces most of the green lentils in the world, while it is a relatively small producer of red lentils, the level of production in Canada has much more influence on green lentil prices than on red lentil prices. The substitution of one type of lentil with another is very limited. Therefore, it is common for wide price spreads to exist between different types of lentils. Since there is no futures market for lentils, prices are negotiated directly between the dealers and customers, based on supply and demand factors for each type of lentil, for immediate delivery or for delivery at some future date.

Domestic Use

Canadian domestic use, which includes food, feed, seed, dockage, and waste, accounts for about 25% of production. Lentils are generally used for food and either, canned, packaged dry for retail sale, or processed into soups, stews, flour, and snack food. Only a small volume of low

quality lentils are used for livestock feed, however nutritional analysis indicates that they make an excellent feed.

Exports

Canada exports about 75% of its production, while most other major producers export a relatively small portion of their production. Canadian exports were 209,000 t in

CANADA: LENTIL PRODUCTION BY TYPE

| | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002 | 2002 2003f |
|--------------|---------------------------|---------------|---------------|---------------|---------------|
| |thousand tonnes..... | | | | |
| Large Green | 295 | 360 | 440 | 240 | 270 |
| Medium | 55 | 90 | 120 | 60 | 65 |
| Small Green | 65 | 110 | 180 | 110 | 90 |
| Red | 50 | 145 | 155 | 165 | 155 |
| Other* | 15 | 19 | 19 | 10 | 10 |
| Total | 480 | 724 | 914 | 585 | 590 |

*French Green (Dark Green Speckled) and Spanish

f: forecast, AAFC, June 2002

Source: AAFC estimate based on Statistics Canada and industry sources.

1991-1992, but rose to 550,000 t in 2000-2001. Canadian lentil exports are mostly to western Europe, the Middle East, northern Africa, South America, Central America and southern Asia. The main importing countries in each region are: **Europe** (Italy, Germany, Spain, Belgium, France, Greece), **Middle East** (Turkey, Egypt), **Africa** (Algeria, Morocco), **South America** (Colombia, Venezuela, Ecuador, Chile, Brazil, Peru), **Central America** (Mexico) and **Asia** (India, Pakistan).

Although large green lentils are exported all over the world, the main destinations are north-western and southern Europe, northern Africa, South America, and Central America. Medium green lentils are exported mainly to the US, north-western Europe, Spain and northern Africa. Small green lentils are exported mainly to Morocco, Greece, Italy, Egypt, and Mexico. Red lentils are exported mainly to southern Asia, the Middle East and northern Africa, mostly de-hulled and split. French green lentils are exported mainly to France and Spanish brown lentils mainly to Spain.

OUTLOOK

World: 2002-2003

World production and total supply are forecast to be slightly lower, compared to 2001-2002, at 3.16 and 3.66 Mt respectively. Canada's share of world production is expected to increase slightly to 19%. Total world use is forecast to increase and, therefore, carry-out stocks are expected to decrease.

Canada: 2002-2003

Canadian seeded area is expected to decrease by 21%. Since 98% of the lentils are expected to be seeded in Saskatchewan and since most of Saskatchewan has below normal soil moisture conditions, it will be difficult to achieve trend yields even if there

CANADA: LENTIL EXPORTS

| August-July crop year | 1998 -1999 | 1999 -2000 | 2000 2001e ¹ | 2001 -2002e | 2002 2003f |
|---------------------------|---------------------------|---------------|----------------------------|----------------|---------------|
| |thousand tonnes..... | | | | |
| Europe | 100 | 114 | 115 | 140 | 140 |
| South America | 94 | 117 | 120 | 125 | 120 |
| Africa | 73 | 90 | 85 | 85 | 80 |
| Middle East | 44 | 132 | 140 | 80 | 75 |
| Asia | 24 | 21 | 50 | 50 | 50 |
| Central America/Caribbean | 28 | 26 | 35 | 40 | 40 |
| United States | 9 | 3 | 5 | 5 | 5 |
| Total | 372 | 503 | 550 | 525 | 510 |

¹ Current Statistic Canada data indicates exports of 475,000 t. This is considered to be too low, based on Statistic Canada's estimate of carry-out stocks and industry estimates of exports.

e: AAFC estimate, June 2002 f: AAFC forecast, June 2002
Source: Statistics Canada

CANADA: SASKATCHEWAN LENTIL AVERAGE PRODUCER PRICES

| August-July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002f | 2002 -2003f |
|---------------------------|-------------------|---------------|---------------|----------------|----------------|
| |CAN\$/t..... | | | | |
| No. 1 Canada grade | | | | | |
| Large Green | 385 | 440 | 335 | 375 | 390 |
| Medium Green | 335 | 385 | 310 | 320 | 335 |
| Small Green | 430 | 445 | 315 | 275 | 290 |
| Red | 460 | 390 | 340 | 310 | 320 |

f: forecast, AAFC, June 2002
Source: AAFC

is normal precipitation during the growing period. Therefore, assuming normal precipitation for the summer, average yields are forecast to be lower than trend, but higher than in 2001-2002. Based on these assumptions, production is expected to increase slightly to 590,000 t. The main factor to watch is precipitation during the growing period, as it will have a large impact on production because of the poor soil moisture reserves in most areas. Production is expected to increase for the large green and medium green types, but decrease for the small green and red types.

Total supply is forecast to decrease by 11% to 705,000 t, due to lower carry-in stocks. Exports are expected to decrease due to the lower supply. Carry-out stocks are forecast to decrease sharply to 20,000 t, with the stocks-to-use ratio decreasing to 3%. The average producer price, over all grades and types, is forecast to increase by about 5% to \$320-350/t, because of lower Canadian and world supply. However, prices could be very volatile, especially for the green types, if there are any production problems.

US Farm Security and Rural Investment Act of 2002 (FSRIA)

For the first time, lentils, dry peas and small chick peas are included under the loan program. The loan rate provides a floor price to the producer for lentils because if the price is lower than the loan rate, the producer is eligible for a loan deficiency payment. This will make it easier for producers to obtain operating loans. The loan rate for lentils is US\$11.94/cwt (100 pounds) for crop years 2002 and 2003, and US\$11.72/cwt for 2004 to 2007. The average producer price for No.1 grade lentils in Washington and Idaho was US\$10.74/cwt for 2000-2001, US\$12.54/cwt for 1999-2000, US\$11.21/cwt for 1998-1999, US\$11.78 for 1997-1998 and US\$17.23/cwt for 1996-1997. Average producer price data for Montana and North

Secretary to calculate regional pulse loan rates and repayment rates based on the prices of feed peas, No. 3 lentils, and chickpeas that drop below a 20/64 screen". Therefore, if the loan deficiency payment (LDP) for lentils is based on the No. 3 price, which is about US\$1.00-US\$3.00/cwt lower than the No. 1 price, the producer will receive a higher LDP than if it was based on the No. 1 price or the average price. The lower grade discount occurs in years when the lentils grade mostly No. 1 and some lower grade lentils can be blended into the No. 1 lentils, while the higher discount occurs in years when a smaller portion of the lentils grade No.1 and there is less opportunity for blending.

US lentil production in 2001-2002 was in the states of Washington (44%), Idaho (27%), Montana (8%) and North Dakota (21%). The medium green and Spanish brown types accounted for most of the production, but the US also produced large green, small green and red lentils. The largest buyer of US produced lentils is the United States Department of Agriculture (USDA), which uses them for food aid programs. Including lentils under the farm program is expected to increase production of lentils in the US. Since seeding was already underway when the FSRIA was passed, the impact on 2002-2003 is expected to be minor. Increases in production are expected to be gradual over the medium-term, as more producers acquire the necessary skills to produce lentils. The area seeded to lentils for 2003-2004 is expected to increase significantly from 2002-2003, as producers respond to the support levels provided by the loan rate, since No. 3 grade prices are expected to be lower than the loan rate.

Increased lentil production in the US is expected to pressure world prices. For example, if US production doubled, that is a 4% increase in world production and a 13%

Dakota is not available, but the current price in Montana and North Dakota for No.1 lentils is US\$9.10-US\$10.30/cwt, which is similar to the US\$9.25-US\$10.00/cwt paid in Washington and Idaho.

According to the Joint Explanatory Statement of the Committee of Conference, "the Managers expect the

increase in lentils available for exports. Higher production in the US means that more of the US lentils will have to be sold commercially rather than to USDA. Although higher US production is expected to pressure world prices, producers in the US will be protected from lower prices by the loan rate. Most of the increase in US production is expected to be in Montana and North Dakota as there is more competition for the land from other crops in Washington and Idaho. Production of lentils is not expected to spread to other states as they are either too hot or too wet for lentil production.

For periodic updates on the situation and outlook for lentils, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Situation and Outlook."

**For more information,
please contact:**

**Stan Skrypetz
Special Crops Analyst
Phone: (204) 983-8972
E-mail: skrypetzs@em.agr.ca**

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500-303 Main Street
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Telephone: (204) 983-8473
Fax: (204) 983-5524**

**Director: Maggie Liu
Chief: Fred Oleson**

Editor: Gordon MacMichael

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FABABEANS SITUATION AND OUTLOOK

Fababeans (*Vicia faba*) are a significant crop in Europe, northern Africa, the Middle East, China and Australia. Other names for this crop are broad beans, fava beans, horse beans, tick beans and Windsor beans. Canada is a small producer of fababeans, but the crop is an important source of income for some producers, especially in Manitoba. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for fababeans.

BACKGROUND

Fababeans are best suited to clay or clay loam soils with good drainage, provided surface drainage is effective. They should be seeded early, as a long growing season is required to optimize yield. Depending on variety, days to maturity range from 94 to 102. Yield will usually be reduced if seeded after the third week in May. Fababeans are better at fixing their own nitrogen than any other pulse crop produced in Canada. Therefore, the use of nitrogen fertilizer is not recommended, provided that the seed is inoculated with the appropriate strain of rhizobia. Swathing is recommended as they require a 2-3 week drydown period once swathed.

WORLD

Production

World production has been variable, ranging from a low of 3.1 million tonnes (Mt) in 1992-1993 to a high of 4.4 Mt in 2001-2002, but trending upwards slightly during the past 10 years. China has been the main producer, accounting for 35-45% of world production. In China, production increased in the 1990s, but was fairly stable in the following years. Among the other major

producers, production trended upwards in Australia, France and Sudan, but decreased in Italy and Morocco.

Consumption and Trade

Fababeans are a good source of carbohydrates, protein and fibre, and are low in fat. The protein content ranges from 24 to 31%. They are used for human food and livestock feed. As food, they are used in regional cuisine, especially in countries along the Mediterranean Sea, in soups and casseroles, and as a cooked vegetable.

On average, about 85% of fababeans are consumed in the countries where they are produced. During the past 10 years, world trade has been variable, ranging from 0.25 to 0.7 Mt. The variability was related to the production levels in the importing countries and there was no significant upward or downward trend. The top three exporting countries, Australia, United Kingdom, and China, normally accounted for about 85% of world exports. Imports were also dominated by three countries, Egypt, Italy, and Spain, which normally accounted for about 80% of world imports. Egypt's imports were the most variable and depended on the level of domestic production.

CANADA

Production

Canadian production has been extremely variable during the past 10 years, ranging from 5,000 to 18,000 tonnes (t). However, there has not been a noticeable upward or downward trend. Production was concentrated in Manitoba, which normally accounted for about 80% of Canadian production. The other producing provinces were Saskatchewan and Alberta. The Canadian fababean harvest generally occurs during September. Canada produces mainly medium size varieties with the seed weighing about 400-600 grams/1000 seeds, but there is also some production under contract of the larger size variety called Chinese broad beans which can weigh 700-900 grams/1000 seeds.

Marketing

All of the fababeans produced in Canada are sold on the open market to dealers. There are only a few dealers across the Prairie Provinces who buy, clean and ship fababeans to domestic and export customers. Some feedmills also buy fababeans and some of the fababeans are used for livestock feed on the farms where they are produced.

WORLD: FABABEAN PRODUCTION

| | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002 | 2002 -2003f |
|---------------------------|---------------|---------------|---------------|---------------|----------------|
|thousand tonnes..... | | | | | |
| China | 1,827 | 1,780 | 1,788 | 1,700 | 1,700 |
| Egypt | 523 | 307 | 354 | 439 | 400 |
| Ethiopia | 339 | 389 | 453 | 453 | 450 |
| United Kingdom* | 375 | 396 | 454 | 551 | 499 |
| Australia** | 133 | 194 | 303 | 405 | 303 |
| France* | 49 | 61 | 109 | 167 | 194 |
| Germany* | 94 | 96 | 61 | 77 | 75 |
| Sudan | 85 | 105 | 146 | 146 | 140 |
| Morocco | 108 | 55 | 33 | 60 | 50 |
| Italy* | 72 | 95 | 61 | 60 | 64 |
| Canada*** | 14 | 7 | 15 | 10 | 11 |
| Other | 346 | 366 | 346 | 367 | 366 |
| Total | 3,965 | 3,851 | 4,123 | 4,435 | 4,252 |
| World | | | | | |
| Harvested Area (tha) | 2,495 | 2,440 | 2,631 | 2,425 | 2,400 |
| Average Yields (t/ha) | 1.59 | 1.58 | 1.57 | 1.83 | 1.77 |

f: forecast, AAFC, COCERAL and Pulse Australia, June 2002

Source: FAO, except *UNIP, **Pulse Australia,

***Statistics Canada June 2002

WORLD: FABABEAN IMPORTS AND EXPORTS

| calendar year | 1996 | 1997 | 1998 | 1999 | 2000 |
|---------------------------|------------|------------|------------|------------|------------|
|thousand tonnes..... | | | | | |
| IMPORTS | | | | | |
| Egypt | 87 | 29 | 56 | 227 | 172 |
| Italy | 165 | 162 | 177 | 181 | 151 |
| Spain | 66 | 62 | 36 | 66 | 45 |
| Saudi Arabia | 11 | 19 | 7 | 26 | 26 |
| Morocco | 5 | 3 | 2 | 12 | 16 |
| Other | 63 | 72 | 52 | 57 | 72 |
| Total | 397 | 347 | 330 | 569 | 482 |
| EXPORTS | | | | | |
| Australia | 108 | 107 | 110 | 170 | 197 |
| United Kingdom | 100 | 115 | 80 | 155 | 159 |
| China | 93 | 69 | 18 | 165 | 76 |
| France | 11 | 4 | 7 | 40 | 36 |
| Canada* | 4 | 2 | 2 | 8 | 4 |
| Other | 52 | 38 | 31 | 40 | 42 |
| Total | 368 | 335 | 248 | 578 | 514 |

The difference between imports and exports is attributed to the timing of delivery.

Source: FAO, except *Statistics Canada, June 2002

CANADA: FABABEANS SUPPLY AND DISPOSITION

| August - July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002f | 2002 -2003f |
|---|---------------|---------------|---------------|----------------|----------------|
| Harvested Area (thousand ha) | 6 | 3 | 6 | 5 | 5 |
| Yield (t/ha) | 2.33 | 2.33 | 2.50 | 2.00 | 2.20 |
|thousand tonnes..... | | | | | |
| Carry-in stocks | 0 | 4 | 0 | 4 | 2 |
| Production | 14 | 7 | 15 | 10 | 11 |
| Imports | 1 | 1 | 1 | 1 | 1 |
| Total Supply | 15 | 12 | 16 | 15 | 14 |
| Exports | 5 | 7 | 5 | 6 | 6 |
| Total Domestic Use | 6 | 5 | 7 | 7 | 7 |
| Total Use | 11 | 12 | 12 | 13 | 13 |
| Carry-out Stocks | 4 | 0 | 4 | 2 | 1 |
| Stocks-to-use ratio (%) | 36 | 0 | 33 | 15 | 8 |
| Average Manitoba Producer Prices (\$/t) | | | | | |
| No.2 Canada grade | 205 | 180 | 175 | 185 | 185 |
| Feed | 135 | 90 | 90 | 100 | 95 |
| Harvested Area (thousand ac.) | 35 | 17 | 37 | 25 | 27 |
| Yield (lbs/ac.) | 2,082 | 2,082 | 2,230 | 1,784 | 1,963 |
| Production (Mlb) | 31 | 15 | 33 | 22 | 24 |
| Average Manitoba Producer Prices (\$/lb) | | | | | |
| No.2 Canada grade | 0.093 | 0.082 | 0.079 | 0.084 | 0.084 |
| Feed | 0.061 | 0.041 | 0.041 | 0.045 | 0.043 |

f: forecast, AAFC, June 2002

Source: Statistics Canada and AAFC

The Canadian Grain Commission (CGC) establishes quality standards for fababeans. The grades are No. 1, 2 and 3 Canada. Fababeans which do not meet the listed grade standards are graded Sample Canada. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: www.grainscanada.gc.ca.

Prices

The average price paid to producers in the food market for the 2 Canada grade ranged from \$175 to \$205 per tonne (t) during the past four years. In the feed market, prices ranged from \$90 to \$135/t. Since there is no futures market for fababeans, prices are negotiated directly between the dealers and producers, based on supply and demand

ranging from 2,000 to 8,000 t per year. Most of the exports go to the Middle East, with Egypt being the largest importing country. Other significant export destinations in this region are Saudi Arabia, Lebanon and Jordan. The United States (US) is the second largest importer of Canadian fababeans. Exports to the US have been relatively stable during the past 10 years, while exports to the Middle East have been variable. Canada imports a small amount, mainly from the US.

OUTLOOK

2002-2003

World production is expected to decrease slightly, from 2001-2002 levels, to 4.25 Mt.

Canadian seeded area is expected to be similar to 2001-2002, but production is expected to increase slightly, assuming a return to normal yields. Canadian average producer prices are forecast to be similar to 2001-2002 for the No.2 Canada grade and slightly lower for feed.

factors. A portion of the fababeans produced are normally contracted before seeding, but the price is generally not established until delivery.

Domestic Use

Canadian domestic use, which includes food, feed, seed, dockage, and waste, accounts for about half of production and has been relatively stable during the past 10 years. Most of the domestic use is for livestock feed. Fababeans used for food are either canned or dry packed.

Exports

Canadian fababean exports have been variable during the past 10 years,

Canada: longer-term

Canadian production is expected to remain low unless varieties are developed to fill specialized market niches or fababean use for livestock feed increases. There is increased interest in growing zero tannin varieties, especially in Alberta, for feeding hogs. Tannins make fababeans bitter and, therefore, the inclusion rate of varieties high in tannins is low, typically no more than 15% in a hog ration. With the use of zero tannin varieties, the inclusion rate can be increased to as much as 35%. The presence of tannins in fababeans has undervalued the price of fababeans for livestock feed. Better prices for feed use would make the crop more attractive for producers and encourage higher production.

For more information,
please contact:

Stan Skrypetz
Special Crops Analyst
Phone: (204) 983-8972
E-mail: skrypetz@em.agr.ca

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**Market Analysis Division,
Marketing Policy Directorate,
Strategic Policy Branch,
Agriculture and Agri-Food Canada,
500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524**

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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CANADA: FABABEAN EXPORTS

| August-July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001e | 2001 -2002f | 2002 -2003f |
|---------------------------|---------------|---------------|----------------|----------------|----------------|
|thousand tonnes..... | | | | | |
| Middle East | 3.0 | 5.0 | 3.5 | 3.5 | 3.5 |
| United States | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Other | 0.5 | 0.5 | 0 | 1.0 | 1.0 |
| Total | 5.0 | 7.0 | 5.0 | 6.0 | 6.0 |

e: estimate, AAFC, June 2002

f: forecast, AAFC, June 2002

Source: Statistics Canada

While the Market Analysis Division assumes responsibility for all information contained in this bulletin, we wish to gratefully acknowledge input from the following: Pulse Canada, Saskatchewan Pulse Growers, Saskatchewan Agriculture and Food, Alberta Agriculture, Food and Rural Development, Manitoba Agriculture and Food, Canadian Special Crops Association, Market and Industry Services Branch (AAFC)

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday June 3, 2002

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-----------------|--------|------------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| Vancouver B.C. | This week | FOB | 185.16 | N/A | 181.16 | 166.50 | | 334.00 | (7) 246.00 | 139.00 | 315.00 | (4) 880.00 | 460.00 | | | | 420.00 |
| | Week ago | | 181.16 | N/A | 181.16 | 164.50 | | 331.00 | (7) 237.50 | 139.00 | 315.00 | (4) 880.00 | 450.00 | | | | 420.00 |
| Calgary Alta | This week | FOB | 162.00 | N/A | 158.00 | 160.00 | | 325.00 | N/A | | 275.00 | (4) 930.00 | 495.00 | | | | 420.00 |
| | Week ago | | 158.00 | N/A | 158.00 | 160.00 | | 322.00 | | | 275.00 | (4) 930.00 | 485.00 | | | | 420.00 |
| Saskatoon Sask. | This week | FOB | 159.50 | 210.00 | 146.50 | 157.00 | | 318.00 | 230.00 | | 275.00 | (4) N/A | 495.00 | | 170.00 | | 450.00 |
| | Week ago | | 158.00 | 210.00 | 140.50 | 154.00 | | 314.50 | 218.00 | | 275.00 | (4) N/A | 485.00 | | 170.00 | | 450.00 |
| Melfort Sask. | This week | FOB | 179.50 | 210.99 | 144.10 | | | | | | | | | | | | |
| | Week ago | | 172.50 | 189.32 | 135.60 | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | 170.00 | (9) 228.31 | 147.18 | 146.00 | | 302.00 | 220.00 | | 295.00 | (4) 900.00 | 420.00 | | | | 415.00 |
| | Week ago | | 170.50 | 161.47 | 146.68 | 143.00 | | 298.00 | 208.00 | | 295.00 | (4) 875.00 | 420.00 | | | | 415.00 |
| Thunder Bay Ont. | This week | In-store | 174.50 | 231.52 | (8) 153.10 | | | | | | | | | | | | |
| | Week ago | | 167.50 | 209.89 | (8) 144.60 | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board Vessel | | | | 135.30 | | | | | | | | | | | |
| | Week ago | | | | | 127.49 | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | 194.50 | 318.00 | N/A | | | | | | | | | | | | |
| | Week ago | | 187.50 | 318.00 | N/A | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | 144.09 | | | | | | | | | | | |
| | Week ago | | | | | 140.54 | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | 312.72 | N/A | | | | | | | | |
| | Week ago | | | | | | FOB | 306.11 | N/A | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | | | | | | | | | | | |
| | Week ago | | | | | 143.00 | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 142.50 | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | FOB | 320.88 | 237.33 | 108.67 | 301.00 | (5) 825.00 | 298.00 | 400.00 | 129.00 | 243.00 | 350.00 |
| | Week ago | | | | | | | 317.44 | 242.08 | 106.33 | 301.00 | (5) 825.00 | 292.00 | 400.00 | 129.00 | 243.00 | 350.00 |
| Trois-Riv. Que. | This week | In-store | 211.50 | | 191.10 | 153.54 | | | | | | | | | | | |
| | Week ago | | 204.50 | | 182.60 | 149.99 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | 181.25 | 216.67 | 168.05 | (2) 150.78 | | | | | | | | | | | |
| | Week ago | | 176.25 | 196.67 | 162.30 | (2) 145.66 | | | | | | | | | | | |
| St-Hyacinthe, Que. | This week | In-store | 209.50 | | 191.10 | 156.49 | FOB | 317.87 | | | | | | | | | |
| | Week ago | | 200.83 | | 180.60 | 150.98 | | | | | | | | | | | |
| Quebec Que. | This week | Track | 240.75 | 285.28 | 214.52 | 182.69 | FOB | 342.76 | 277.22 | | | | | | | | |
| | Week ago | | 229.75 | 256.61 | 208.07 | 183.22 | | | | | | | | | | | 350.00 |
| Truro N.S. | This week | Water | 225.70 | N/A | N/A | 173.20 | | | | | | | | | | | 350.00 |
| | Week ago | & Truck | 211.00 | N/A | N/A | 171.65 | | | | | | | | | | | |
| N.S. | This week | In-store | 216.70 | N/A | N/A | 164.20 | FOB | | | | | | | | | | |
| | Week ago | | 202.00 | N/A | N/A | 162.65 | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard

Tel: (514) 283-3815 (575) Fax: (514) 283-2754

N/A = not available US \$1.00=Cdn \$1.5280 as of June 03, 2002

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close.

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canada Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat, 3C WRS (2) Canadian Corn #3 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) American Fish Meal (7) Fraser Valley (8) Futures WCE (9) 3CW

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday June 3, 2002

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|--------------------------|---------------|---------------|---------------|---------------|---------------|
| From: Thunder Bay 2 | In-Store | WHEAT | 187.50 | 180.50 | 170.40 | 142.80 |
| CBOT | | OATS | 231.52 | 209.89 | 181.92 | 147.27 |
| LETHBRIDGE | | BARLEY | 160.00 | 156.20 | 146.10 | 134.90 |
| To: Bayports, Ont. | In-store | WHEAT | 210.60 | 203.60 | 1. 193.50 | 165.90 |
| | | OATS | N/A | N/A | 1. N/A | N/A |
| | | BARLEY | 187.15 | 183.35 | 1. 173.25 | 162.05 |
| Montreal, Que. | In-store | WHEAT | 215.35 | 208.35 | 1. 198.25 | 170.65 |
| | | OATS | N/A | N/A | 1. N/A | N/A |
| | | BARLEY | 192.27 | 188.47 | 1. 178.37 | 167.17 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 237.82 | 230.82 | 220.72 | 193.12 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 218.63 | 214.83 | 204.73 | 193.53 |
| Truro, N.S. | Truck via Halifax | WHEAT | 235.32 | 228.32 | 218.22 | 190.62 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 213.75 | 209.95 | 199.85 | 188.65 |
| Halifax, N.S. | In-store | WHEAT | 222.65 | 215.65 | 1. 205.55 | 177.95 |
| | | OATS | N/A | N/A | 1.0 N/A | N/A |
| | | BARLEY | 200.07 | 196.27 | 1.0 186.17 | 174.97 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 282.43 | 275.43 | 265.33 | 237.73 |
| | | OATS | 337.72 | 316.09 | 288.12 | 253.47 |
| | | BARLEY | 267.14 | 263.34 | 253.24 | 242.04 |
| From: Melfort, Sask. | FOB | WHEAT | 179.50 | 172.50 | 164.40 | 137.80 |
| | | OATS | 210.99 | 189.32 | 161.14 | 129.32 |
| | | BARLEY | 144.10 | 135.60 | 127.40 | 128.90 |
| To: Bayports, Ont. | Track | WHEAT | 228.65 | 221.65 | 213.55 | 193.92 |
| | | OATS | 267.88 | 246.21 | 218.03 | 188.19 |
| | | BARLEY | 193.80 | 185.30 | 177.10 | 182.29 |
| Montreal, Que. | Track | WHEAT | 229.41 | 222.41 | 214.31 | 194.67 |
| | | OATS | 271.60 | 249.93 | 221.75 | 189.09 |
| | | BARLEY | 194.62 | 186.12 | 177.92 | 183.11 |
| Moncton, N.B. | Track | WHEAT | 257.69 | 250.69 | 242.59 | 215.85 |
| | | OATS | 295.88 | 274.21 | 246.03 | 212.43 |
| | | BARLEY | N/A | N/A | N/A | 195.22 |
| Truro, N.S. | Track | WHEAT | 255.88 | 248.88 | 240.78 | 216.02 |
| | | OATS | 296.89 | 275.22 | 247.04 | 213.40 |
| | | BARLEY | N/A | N/A | N/A | 208.84 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 302.94 | 295.94 | 287.84 | 259.36 |
| | | OATS | 346.17 | 324.50 | 296.32 | 260.78 |
| | | BARLEY | N/A | N/A | N/A | 257.13 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|------------------------------|------------------------|--|---------------|---------------|------------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 135.30 | 127.49 | | 125.67 |
| To: Montreal, Que. (US Corn) | In-store | | 154.20 | 146.39 | 1.0 144.57 | 137.56 |
| From: Chicago (Mi) | Track | | 134.10 | 129.30 | | 126.90 |
| To: Montreal, Que. (US Corn) | Track | | 163.13 | 158.33 | 155.93 | 140.17 |
| From: Chatham | Track | | 144.09 | 140.54 | | 138.18 |
| To: Montreal, Que. | Track | | 167.47 | 163.92 | 161.56 | 147.98 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|--------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 312.72 | 306.11 | | 300.82 | 306.00 |
| To: Montreal, Que. | Track | | 337.14 | 330.53 | | 325.24 | 328.47 |
| Moncton, N.B. | Track | | 360.35 | 353.74 | | 348.45 | 345.78 |
| Truro, N.S. | Track | | 359.18 | 352.57 | | 347.28 | 348.75 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 407.98 | 401.37 | | 396.08 | 398.01 |

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Bi-weekly Bulletin

June 14, 2002 Volume 15 Number 12

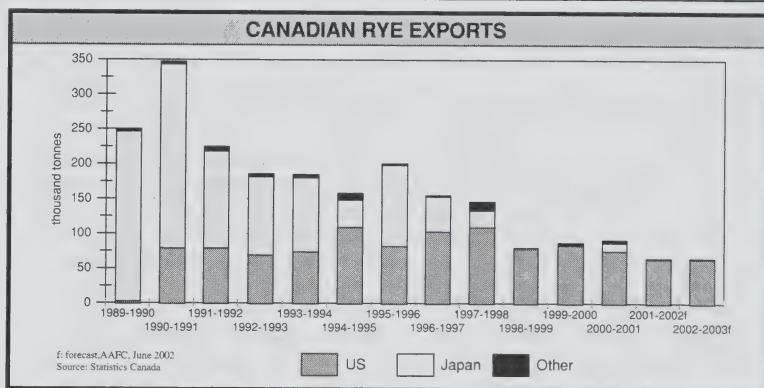
RYE: SITUATION AND OUTLOOK

Rye is an important part of Canada's agricultural economy. Although rye production is low relative to some other major crops, it is expected to generate about \$13 million (M) in exports for 2001-2002 and may become increasingly important as a low input forage crop. Rye has had a long downward trend in consumption and production in world markets, and it has become somewhat of a niche product in the North American grain market. In 2002-2003, Canadian rye prices are forecast to fall slightly, but they are not expected to decrease to the same extent as prices of other coarse grains as Canadian rye supplies will remain very tight. The forecasts are highly tentative because moisture conditions in parts of western Canada are very dry. Offshore rye prices are forecast to remain under pressure because carry-out stocks of rye in the European Union (EU) will continue to be large and will limit the upside potential for North American rye prices. Government policies, especially in the EU, will continue to play an important role in determining world rye trade for the medium-term. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for rye.

Rye is believed to have originated in southwest Asia, then was brought into northern Europe about 2,000 years ago. Today rye is produced around the world, but most of the world's supplies are produced in northeastern Europe in Russia, Germany, Poland, Ukraine and Belarus. Rye is used to produce distilled whiskey and rye flour, and it is fed to livestock as grain, hay, or forage. As well, health conscious consumers are increasingly recognizing the benefits of rye in a balanced diet.

Rye is usually planted in the fall as a winter crop, but spring varieties are also grown. Rye requires fewer inputs than other crops because it is very competitive with weeds, and it is sometimes used as a cover crop. Rye is hardier than winter wheat and performs adequately in light soil where other crops may perform poorly, making it useful for preventing erosion.

However, use of rye for food has generally declined over the past 40 years as consumers have switched to wheat based products over time. World feed use has also declined, especially in the former Soviet Union during the 1990s.



2001-2002 SITUATION

World Production

World rye production increased to 22.9 million tonnes (Mt) in 2001-2002, up from 19.1 Mt in 2000-2001, as growing conditions were very good in much of northeastern Europe. Russia (6.6 Mt), the EU (6.3 Mt), Poland (4.9 Mt), were the major producers but production in Ukraine and Belarus also increased significantly, to 1.8 Mt and 1.6 Mt respectively. Canada produced a very small amount of rye relative

to these countries, at only 0.2 Mt, its lowest level in recent times.

Exporters

The EU accounted for 27% of total world rye production in 2001-2002, with the vast majority of that production coming from Germany. The EU controlled about 65% of world exports in 2001-2002, and was by far the largest single exporter. Ukraine had an excellent crop and its market share increased to 28% of world trade. Canada is one of the other noteworthy players in the



Canada

world rye market in 2001-2002, accounting for about 5% of world trade. Eastern Europe was the only other significant exporting region accounting for 2% of world trade, in 2001-2002.

Rye production has become an important issue for EU policymakers. For 2001-2002, the intervention (support) price for rye was €101.31/t (about CAN\$142/t), the same as the intervention price for wheat and barley. However, market prices for rye have been below this level, which means that the EU has had to subsidize this commodity in order to export it. In 2001-2002, EU rye production increased to 6.3 Mt from 5.4 Mt in 2000-2001 despite having carry-in stocks of 4.4 Mt. The EU is expected to propose some reforms in the summer of 2002 during a review of Agenda 2000 policies. However, policy changes are unlikely to have a dramatic impact in the short-term. If subsidies for rye are eliminated then EU rye production is likely to decline considerably over the medium-term, with production likely to shift into other cereal grains such as triticale, barley, or wheat.

Importers

Japan is the world's largest importer of rye, making up 32% of the world's imports in 2001-2002. Japanese government policies on other cereals have a significant impact on Japanese rye consumption and world rye trade. The Japan Food Agency strictly regulates imports of wheat and barley, but the Japanese rye market is basically open. Japanese rye prices then reflect world market prices and are much lower than the regulated prices for wheat and barley, making it attractive as a feed ingredient.

In the early 1990s, Japan was Canada's largest export market for rye. However, Canada's rye exports to and from Japan, have fallen from over 0.2 Mt at the end of the 1980s to nearly zero at the end of 2001-2002. Some of the reasons for the decline in exports to Japan include EU policies

which supported its rye exports and subsequently pressured international rye prices, reduced production of rye in Canada which limited exportable supplies, and increased transportation costs to export terminal positions from Prairie farms.

The other major importer is South Korea, which makes up about 10% of world trade. Rye consumption in Japan and Korea may decline in the medium-term if EU support for the crop is reduced, which would lower EU rye production and raise world rye prices.

The United States (US) is a fairly minor player in world rye markets but has become Canada's largest export market for rye, now that the EU has displaced Canada in Asian markets. US imports of rye from all origins have averaged about 100,000 t over the past 10 years, and Canada's share of this market increased to about 80% during the late 1990s. Canadian rye is exported primarily to Minnesota and Kentucky where it is used for milling and distilling, respectively. Steady US food use and declining US production have helped to support Canadian rye exports. US rye production has averaged about 250,000 tonnes (t) over the past ten years but has declined in the most recent three years, to about 180,000 t in 2001-2002. US rye production has been disadvantaged by US farm programs. The loan rate on rye was US\$1.61/bu compared to US\$1.89/bu for corn, then was excluded from the US farm program in the 1996 and 2002 farm bills.

CANADA

Area seeded to rye has declined in all three prairie provinces over the past twenty years, although it peaked in 1989 in response to

CANADA: RYE SUPPLY AND DISPOSITION

| <i>Crop year: August-July</i> | 2000 | 2001 | 2002 |
|-------------------------------|----------------------------|---------------|---------------|
| | -2001 | -2002f | -2003f |
| Harvested Area (Mha) | 115 | 102 | 1.11 |
| Yield (t/ha) | 2.27 | 1.90 | 2.12 |
| |thousand tonnes | | |
| Carry-in Stocks | 161 | 77 | 35 |
| Production | 260 | 194 | 235 |
| Imports | 5 | 5 | 5 |
| Total Supply | 426 | 276 | 275 |
| Food Use | 14 | 14 | 14 |
| Industrial Use | 54 | 48 | 50 |
| Feed, Waste, and Dockage | 175 | 100 | 82 |
| Seed and Other | 17 | 14 | 19 |
| Total Domestic Use | 260 | 176 | 165 |
| Exports | 89 | 65 | 70 |
| Carry-out Stocks | 77 | 35 | 40 |
| Average Farmgate Price(\$/t) | 100 | 125-145 | 115-145 |
| f: forecast, AAFC, June 2002 | | | |
| Source: Statistics Canada | | | |

high prices caused by the drought of 1988. Canadian rye production has dropped sharply since the 1980s, falling from an average of more than 600,000 t during the 1980s to less than 200,000 t in 2001-2002. Saskatchewan has historically been the largest rye producing province, with Alberta and Manitoba producing significant amounts as well. Small amounts are also produced in eastern Canada, with most of that occurring in Ontario. About 90% of Canadian rye is planted in the fall and the remainder is planted in the spring. The Rye and Triticale Association is a farmer-led organization which promotes the crop and enhances its profile in the market place.

Distilling

Canadian whiskey is well-known for using rye for its starch and flavour. The distilling market is the largest commercial market for rye in Canada, consuming about 50,000 t annually, and this market tends to pay premium prices for quality grain. Alberta Distillers Limited is the largest consumer of rye in Canada, while a few other distillers also use rye in much smaller amounts.

PERENNIAL RYE

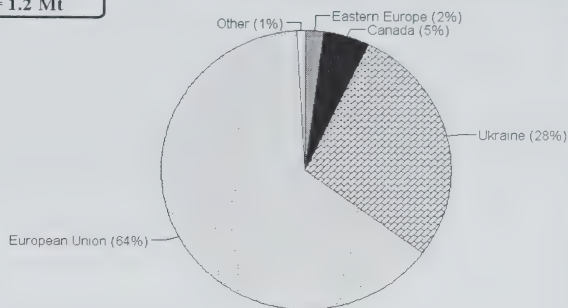
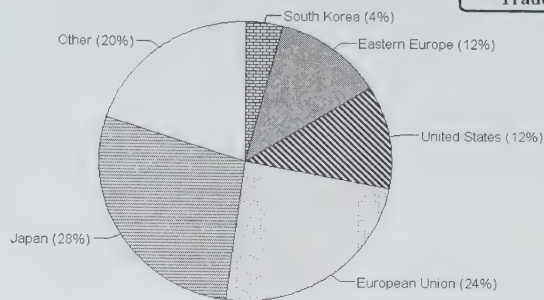
Agriculture and Agri-Food Canada researchers at the research centre in Lethbridge, Alberta have developed a new variety of rye called Ace-1. This new variety may significantly increase interest in rye because it is a perennial that persists for several years, takes advantage of spring moisture, and has good regrowth for a second cut. Preliminary AAFC research has suggested that it might reduce silage feed costs by 15-20%. The crop shows promising silage and grazing results but it is susceptible to ergot, so researchers recommend against its production specifically for grain. Seed of perennial rye will be available in limited quantities to Canadian farmers in the fall of 2002, and it is expected to be widely available to producers in the fall of 2003.

WORLD: RYE IMPORTS

2001-2002

WORLD: RYE EXPORTS

Trade = 1.2 Mt



Source: USDA, except Canada which is AAFC

Milling

The other premium domestic market for rye is the flour milling market. However, this market is small, as only about 14,000 t of rye are used as food in Canada. Rye is believed to have some positive health effects as rye contains fibrous complex carbohydrates called pentosans, which may reduce certain types of cancer and heart disease. Research on the health benefits of rye are continuing.

Feed

The use of rye grain for feed has fallen as production has declined over the past several years, but rye has potential for growth as a forage and silage crop because rye has relatively low input requirements and the domestic livestock industry is expanding. The nutritional value of rye grain is similar to that of barley, wheat, corn, and triticale, although enzymes may need to be used to help livestock digest pentosans contained in rye. A second concern with rye is its susceptibility to ergot infection. The ergot fungus produces toxins that reduce feed conversion, or produce other symptoms that are even worse, if present in sufficient amounts. Feed rye is normally priced at a discount to feed barley on a per tonne basis, and this discount can vary widely.

Prices

For 2001-2002, very low area seeded and drought reduced Canadian rye production to its lowest level of recent times. This resulted in strong domestic prices for all coarse grains, and especially for high quality rye. The price of rye for food and industrial use has been high this year, at times reaching upwards of \$180/t in parts of the prairies, but more generally has been about

\$140/t. Internationally, rye prices have been weak as production outpaced consumption and world rye carry-out stocks increased by about 35%. The EU currently holds more than 5.0 Mt of rye stocks, which is more than 70% of world stocks. The EU gained a considerable share of the US rye import market in 2001-2002 as the low Canadian supplies and the large EU rye stockpile created the opportunity. The US imported about 60,000 t of rye from the EU by the end of March, giving the EU about 60% of the US import market for 2001-2002. Current information suggests that these imports were used for both distilling and milling uses, with shipments transported by barge from the Gulf of Mexico to processors located in Kentucky and Minneapolis. The EU has not exported rye to the US since 1998, when 9,000 t were traded. Canada has exported about 55,000 t of rye to the US so far in 2001-2002, and with another 10,000 t expected over the rest of the crop year.

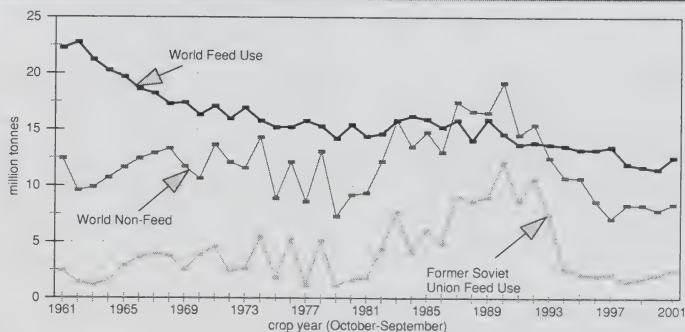
2002-2003 OUTLOOK

World

World rye production is forecast by the USDA to decrease by about 7%, to 21.4 Mt, as production in the major rye producing regions of northeastern Europe is expected to decline. The EU is expected to reduce its rye production by about 0.7 Mt to 5.6 Mt, due to lower area seeded and lower yields, but EU production will still outpace its consumption by 1.5 Mt. In Poland, Ukraine, and Russia, weather conditions have been less than ideal with dry fall and spring weather in parts of those countries potentially causing some crop damage.

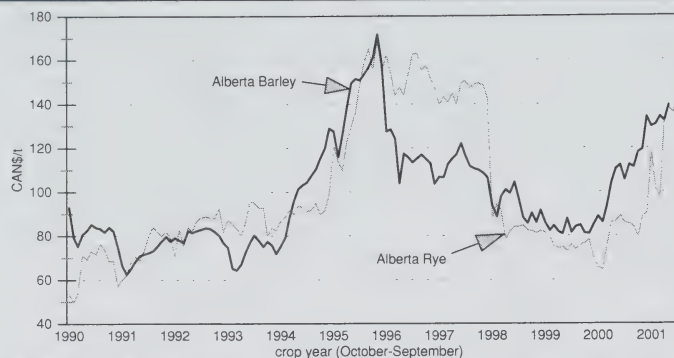
US rye production will likely remain low again in 2002-2003, at 280,000 t although it will increase sharply from the extremely low level of about 180,000 t in 2001-2002. Given the low production of rye forecast for Canada for 2002-2003 and the large EU supplies, the US will likely continue to import some rye from the EU until the 2002-2003 harvest is completed in the summer of 2003.

RYE USAGE



Source: USDA, June 2002

ALBERTA RYE AND BARLEY PRICES



Canada

Area seeded to fall rye declined by about 10% in 2002-2003 from the previous year as dry soil conditions during the fall discouraged farmers from planting it. As well, snow cover was light during the winter in many parts of the prairies and initial reports suggest that winterkill was significant. However, farmers intend to increase their harvested area and yields are forecast to be higher than in 2001-2002. As a result, Canadian rye production is forecast at 235,000 t in 2002-2003, up from 194,000 t in 2001-2002. This level of rye production will still be historically low, and when combined with small carry-in stocks, it is expected to result in a continuation of low supplies in Canada in 2002-2003. These forecasts are very uncertain at this time, given that very dry conditions currently exist in parts of western Canada and pasture conditions are poor.

Prices

Outside of North America, rye production and carry-out stocks are forecast to remain burdensome in 2002-2003 and international rye prices will remain near current low levels.

However, North American rye prices will be strong in 2002-2003 compared to international rye markets and other domestic coarse grain prices. The higher US rye production and the increased supplies of other coarse grains in Canada may ease Canadian rye prices by about \$5/t, but with Canadian rye carry-in stocks at the lowest level of recent times, Canadian rye supplies

will remain tight. North American rye prices will continue to be limited by the price of EU rye imported into the US. The price of rye in western Canada is expected to average about \$115-145/t, slightly lower than in 2001-2002 because of the increased US rye production and increased domestic coarse grain supplies.

MEDIUM-TERM OUTLOOK

Rye may be on the verge of becoming a specialty crop in Canada, based on downward trends observed in production and consumption over the past 20 years. Rye production will not likely fall much further, given rye's agronomic characteristics and the inelastic demand for rye from food and industrial processing sectors in North America. These small food markets with inelastic demand can be viewed as an opportunity for Canadian growers who are able to consistently produce high quality rye, and who can develop close relationships with buyers. Consumer preferences for specialty

products and health foods may help to support demand. Forage use of rye should also increase, because farmers are continuing to expand their livestock operations and because it is a hardy cover crop with minimal input requirements.

However, widespread expansion of the crop for grain is not imminent based on the limited food and industrial use of rye grain in western Canada, the partial substitutability of corn for distilling use, and feed users'

preference for barley, corn, feed wheat, and triticale in feed rations.

Foreign government policies, especially in the EU, will be factors to watch in determining world rye trade for the medium-term.

For more information, please contact:

Dennis Jackson,
A/Coarse Grains Analyst
Phone: (204) 983-8461
E-mail: jacksond@em.agr.ca

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Agriculture and Agri-Food Canada.
500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524**

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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July 12, 2002 Volume 15 Number 13



CORN: WESTERN CANADA

Corn production in western Canada, predominantly in Manitoba and, to a lesser extent, Alberta has increased significantly over the last five years. Although it represents a relatively small component of total production of coarse grain in western Canada, it has increasingly become a viable alternative to other cereal crops because of improved corn varieties and the increased feed grain demand related to expansion of the hog industry in western Canada. Due to the drought in 2001-2002, corn imports into western Canada increased significantly but are expected to decrease in 2002-2003, because of increased domestic feedgrain production. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for corn in western Canada.

In western Canada, corn is grown for grain for human and livestock consumption, and as a silage for animal feed.

The three main climatic variables that affect growth are day length, temperature, and rainfall. Day length and temperature affect flowering and maturity while temperature and rainfall affect yields.

Cumulative temperatures, calculated from daily maximum and minimum temperatures and expressed as corn heat units (CHU), are a better measurement for achieving physiological maturity than calendar days. The higher the CHU, the faster the corn develops. Optimum development occurs when daytime temperatures reach 30°C.

In western Canada, hybrids have been developed that require an overall lower CHU per season. Producers can choose from many different hybrids with varying CHUs that will meet the particular needs of the farm. In general, a crop with a higher CHU will have higher yields but the risk that the crop will not develop before the first frost is a potential danger.

Corn requires increasing levels of water as the plant progresses. On average corn requires about 20 inches of water. The amount and distribution of precipitation in Manitoba is suited to corn production. On sandy soils, moisture stress can reduce yields, while on clay, compacted or poorly

drained soils excessive moisture can cause growth problems.

The first consideration in choosing a grain corn hybrid is the ability of the hybrid to reach maturity before the first frost. Frost damaged corn is of inferior quality, difficult to market and sold at a considerable discount to mature corn. On the other hand, a hybrid that matures too early will usually yield less because it does not make full use of a growing season.

Once the heat unit rating for a farm has been established, the producer should select a hybrid that requires 200 CHU less than expected. This will ensure that corn planted by mid-May will reach full maturity before a damaging frost nine out of ten years.

During the final stages of grain filling, reserves of carbohydrates stored in the stalk are moved into the grain. Once this source of energy is gone, the stalk dies and becomes susceptible to stalk rot organisms. The larger the ears are the quicker this process occurs. Some hybrids gain a high yield potential at the expense of the stalk strength by draining all the stalk of its reserves. Under a good growing season the stalk may contain enough carbohydrate reserves to maintain stalk strength, however in poor growing seasons the drainage of stalk reserves will result in premature death of the stalk and severe lodging or breaking.

GM and Bt corn

The exchange of genetic material between different species of corn occurs naturally in the environment. Until recently, genetic cross-breeding to produce plants with desirable traits took years of development. Through the use of biotechnology, scientists are now able to identify a particular gene in one plant and integrate this desired gene into a new plant more quickly. This new product, often described as genetically modified (GM) corn, is a subset under the biotechnology umbrella. GM corn hybrids have been developed with broad spectrum herbicide tolerance and insect resistance.

Bacillus Thuringiensis (Bt) corn is a type of corn that has been genetically modified using a bacteria that has insecticidal properties. Bt is a naturally occurring soil-borne bacterium that produces crystal-like proteins that selectively kill the European corn borer. When eaten by the corn borer, the stomach enzymes form toxins which are poisonous. These proteins have been found to be safe for human consumption.

In order to prevent developed resistance by the European corn borer, it is recommended that producers plant Bt corn every second year or plant non-Bt refuges with a Bt crop. This ensures that a significant population of corn borers with susceptibility to Bt will survive. The hope is that Bt corn will continue to be effective against the corn borer for at least 10-15 years.



Canada

Infestation levels in Manitoba are sporadic and variable with some areas experiencing heavy infestations while other areas have little or no damage. In Manitoba it is estimated that approximately 27% of corn was planted to Bt varieties in 2001.

The advantages of growing Bt corn are that it increases corn yields, reduces the use of farm chemicals and lowers the chances of ground water contamination.

Many of the early-maturing hybrid varieties are flint-dent crosses. The hard kernels produced allow these hybrids to be harvested at higher moisture levels. This can be a significant advantage in short-season areas.

Grading

Corn grading by the Canadian Grain Commission for the primary and export market is based on test weight, degree of soundness, percentage heated, total damaged corn, and the amount of cracked corn and foreign material.

Test weight, measured in pounds/bushel (lb/bu) is one of the main determinants used in grading. For example, a grade of No.1 Canadian Western will have a minimum test weight of 56 lb/bu. Test weight is a significant factor in selection and pricing for both the distillery trade and feed millers.

Production

In 2001, corn production in western Canada accounted for only approximately 3% of Canada's total corn production. Almost all corn produced in western Canada is grown in the Manitoba Red River Valley with a small amount grown in Alberta. Prior to 1978, very little corn was produced in Manitoba. In 1981, corn area reached a record 91,100 hectares (ha) and production was almost 432,000 tonnes (t). However, as a result of poor weather and varietal problems in the early 1980s, area seeded thereafter dropped significantly. Area seeded in the late 1980s and early 1990s increased but low prices and adverse weather again led to a lower area seeded during the 1992-1995 period.

Since 1996, production in Manitoba has trended upward due to higher seeded area, new lower heat unit varieties and good growing conditions. In 2000, the second highest corn crop at 264,200 t was produced for grain use, while an additional 362,900 t was harvested for silage/fodder. For 2002, Agriculture and Agri-food Canada (AAFC) is forecasting a crop of 355,000 t of grain corn with an additional 650,000 t of silage.

In Alberta over the past 20 years, seeded area has ranged from a low of about 1,100 ha in 1996 to a high of 6,100 ha in 2000.

Uses

The Diageo Canada distillery in Gimli, Manitoba uses about 2.4 million bushels (Mbu) of corn annually. Clean corn without any objectionable odours and a high test weight of 56 lb/bu and 14.5% moisture content or lower is required. Corn is accepted up to 15% moisture, but at a discount. Manitoba supplies the distillery with most of their requirement except in years where the quality is not sufficient. In these years the distillery secures supplies from the United States (US).

Manitoba grain corn is processed and used by the hog and poultry industries, while the remaining plant called **stover** can be used for wintering beef and dairy cattle. However, stover is usually worked back into the soil because of its low nutrient value.

Corn is often grown for the production of **silage**. Silage is the production of feed that has been preserved by acidification. This is the result of a fermentation process carried out by various bacteria in an anaerobic environment.

The moisture content of the crop at harvest usually determines silage quality. A moisture level too high results in fermentation instability and spoilage. Moisture levels too low result in inadequate packing and higher levels of aerobic fermentation, again resulting in spoilage and a lower quality.

Harvest for silage is ideal when the grain moisture content is about 45%. The advantages of silage production are that it can be harvested in most weather conditions, and can salvage crops damaged by hail, frost, and high weed competition. However, high levels of hail and frost can cause nitrate production.

Silage has a higher output of nutrients per acre than grain and is a better energy source than barley silage or alfalfa hay. Limited market potential due to spoilage during transportation, make silage production better suited to areas of close proximity to cattle on feed. In addition, a high requirement for capital investments in storage facilities, forage harvesters and the need for specialized trailers are other constraints to silage production. In Alberta the potential for corn silage as an alternative to small grains has yet to be tapped.

WESTERN CANADA: CORN SUPPLY AND DISPOSITION

| September-August crop year | 2000 -2001 | 2001 -2002 f | 2002 -2003f |
|-------------------------------|---------------|-----------------|----------------|
|thousand tonnes..... | | | |
| Production | 292 | 252 | 355 |
| Imports | 423 | 1,950 | 1,000 |
| Total Supply | 715 | 2,202 | 1,355 |
| Food & Industrial Use | 125 | 125 | 125 |
| Feed & Other Use | 590 | 2,077 | 1,230 |
| Total Use | 715 | 2,202 | 1,355 |

Note: Carry-out Stocks are assumed to be nil.

f: forecast, AAFC, July 2002

Source: Statistics Canada, June 2002

Grazing corn

Corn grown for grazing may increase the potential corn area due to its ability to use more manure per acre than cereal crops and as a way to cut costs on manure disposal. Producers can also reduce the expense of having to cut and haul feed to the cattle and it has the natural advantage of standing above the snow, allowing cattle the opportunity to eat more of the plant.

Trials conducted out of AAFC's Brandon research centre estimate that overwintering feeding costs can be reduced by \$0.50/day/cow for every day that the grazing season is extended. The three year trial found that the performance of cows on extended corn grazing was comparable to drylot feeding. The study also found that quality improved when corn was swathed.

Additional research out of Lacombe, Alberta found that corn production for use as winter grazing showed a yield advantage over barley. When corn was seeded at higher densities per acre than the typical 30 inch rows, it yielded as much as other competing small grain alternatives. The results showed that corn could be grown in areas where barley could not, but had an economic advantage limited to areas in the south, because of the higher heat units required and in the Peace River region where there are a greater number of daylight hours.

Test trials conducted by the Ontario Ministry of Agriculture, Food and Rural Affairs found that lower test weight corn still has significant energy content and that pig growth was not significantly affected with test weight values as low as 45 lb/bu.

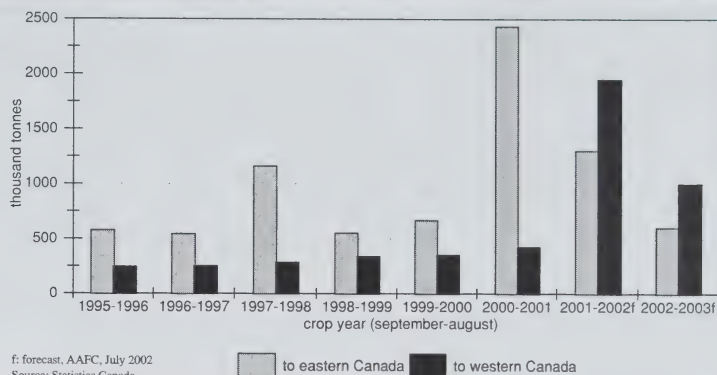
Disease problems

The presence of fusarium head blight (FHB), a fungal disease that infects many cereal crops, has become a major source of concern for producers and feed mills. The strain *Fusarium Graminearum* produces mycotoxins such as Deoxynivalenol (DON) that can threaten the health of livestock. All non-ruminants and hogs in particular have an extremely low tolerance level to the mycotoxins. The prevalence of the disease in wheat and barley crops in Manitoba and to a lesser extent in Saskatchewan, means that feed mills have had to source feedgrains from regions farther away that have lower or no levels of infection. This has added to the cost of hog production over and above the cost of testing for the mycotoxins. Grain corn appears less susceptible to fusarium and therefore a much larger percent of the grain will be suitable for the feed industry. However, all cereal and corn residue can help the fungus survive the winter and act as an inoculate source in the spring. In order to lower the risk of fusarium, it is recommended that pulse crops or oilseeds be seeded in the year after a corn crop.

Other uses

Corn can be processed into hundreds of edible and non-edible products. Corn is used in the beer making process by using dry adjuncts such as milled corn grits or with liquid adjuncts like corn syrup. Corn is used in food products such as cereals, cake mixes, carbonated beverages, candies, and corn meal. Other uses include paper products, pharmaceuticals, spark plugs, and paint and varnishes.

CANADA: CORN IMPORTS FROM THE US



Corn's varying use in food and industrial bio-products and as a feedstock in bio-refineries, makes corn potentially one of the best crops suited to a variety of near-term and future uses. (see also *Bi-weekly bulletin Volume 14 Number 9* entitled, "Ethanol")

Trade

Western Canada rarely exports grain corn. However, whiskey exports have increased steadily to CAN\$4.5M in 2000.

Imports into western Canada, after averaging about 0.37 million tonnes (Mt) during 1998-99 to 2000-2001, are forecast by AAFC at 1.95 Mt in 2001-2002. About 98% of all imported corn into western Canada is produced in the 4 northern states of Minnesota, North Dakota, Montana, and South Dakota. Of these states, roughly 83% is imported from Minnesota and North Dakota.

The increase in corn imports into western Canada is the result of lower domestic feed grain supplies due to a drought reduced crop in 2001, and concerns with fusarium in wheat and barley. These two factors combined to make US corn attractively priced relative to domestic feed grains. Cattle performance on corn is about the same as barley, so feed lot operators have easily substituted corn for use in their feed rations. Compared to barley as a feed ingredient, corn has about 8-9% more energy but slightly less protein.

The largest year-over-year increase is expected to occur in Alberta where imports are expected to increase from about 0.10 Mt in 2000-2001 to about 0.78 Mt in 2001-2002. British Columbia is forecast to import about 50,000 t in 2001-2002.

CORN COUNTERVAIL DUTY

On July 10, 2000, the Manitoba Corn Growers Association filed a complaint alleging injurious dumping and subsidization of imports of grain corn from the US. The complaint was limited to imports into Canada west of the Ontario-Manitoba border and involved about \$50 million in imports over the period in question. The Canadian International Trade Tribunal (CITT) determined on October 10, 2000, that the evidence presented was a reasonable indication that the dumped and subsidized grain corn from the US caused injury to the domestic industry. On November 7, 2000, the Canada Customs and Revenue Agency (CCRA) made a preliminary determination that grain corn imported from the US into western Canada has been dumped at prices that were, on average, US\$1.01/bu below profitable levels and that US corn was subsidized by, on average, US\$0.57/bu. Accordingly, a provisional countervail duty of US\$1.58/bu was applied to grain corn imported from the US for destinations west of the Manitoba/Ontario border.

In the CCRA's preliminary investigation it was determined that the following US farm programs constitute actionable subsidies: (a) loan deficiency and marketing assistance loans; (b) marketing loss assistance payments; and (c) federal crop insurance programs.

The finding required proof that: (1) there was a concentration of US corn into the regional market; and (2) that the dumping or subsidization of corn causes injury or retardation or is threatening to cause injury to the producers of all or almost all of the grain corn produced in the regional market.

On March 7, 2001 a CITT inquiry found that a substantial proportion of locally produced corn did not enter the regional commercial market and thus was not injured by the dumped and subsidized US corn. The CITT concluded that the minimum injury threshold was not met and therefore the provisional duty was rescinded.

Trains ranging from 25 to 100 cars are moved directly by either Canadian Pacific or Canadian National railway to destinations near Lethbridge, Alberta, or by Burlington Northern railway to locations in Montana and then the contents are trucked to points in Alberta.

In Manitoba and Saskatchewan, imports are forecast to increase to 0.75 Mt and 0.38 Mt in 2001-2002 compared to 0.18 Mt and 0.11 Mt in 2000-2001 respectively. The increase is primarily the result of an expanding hog industry, low US corn prices relative to feed barley and the prevalence of fusarium head blight primarily in the Red River Valley, which can threaten the health of hogs. Corn is primarily imported by truck from destinations in Minnesota and North Dakota. The export of potash, flax, and oats to the US and the back-haul of corn into Canada has provided opportunities for lower freight rates. Imported corn requires documentation indicating that the corn has been tested to demonstrate that unapproved varieties have not been detected.

Pricing

Pricing in North America is based on the Chicago Board of Trade (CBOT) quotations. In general, due to a local shortage, the price for locally grown corn would be comparable to the per unit cost of importing US corn. In years where there is a surplus of local corn, prices may be slightly discounted. Corn is also priced relative to other feedgrains such as barley and feed wheat.

The price of imported corn is determined by the CBOT corn nearby futures price plus additional factors such as the exchange rate between the US and Canada, freight from supplier to destination, and brokerage fees.

Factors affecting prices

Since the introduction of the Federal Agriculture Improvement and Reform Act in 1996, the loan deficiency payment (LDP) program has provided strong support for US producers. The program allows farmers who meet certain criteria to receive a one-time payment for the difference between the loan rate and their posted county price and, in return, they forego any further benefits from the marketing assistance loan program for that year. In a period of low market prices, relative to the loan rate, a farmer receives a substantial LDP payment, maintains ownership of the grain, and can then sell at a higher price when prices strengthen. There is, however, a risk that prices could decrease even more after the farmer

receives the LDP payout, eroding some of the gains from the payout.

LDP payouts on corn as of June 21, 2002, averaged US\$0.15/bu on 7.3 billion bushel (bln bu), which is about 76% of the crop. For 2000-2001, payouts averaged US\$0.29/bu on 8.3 bln bu, or 83% of the corn crop. The Farm Security and Rural Investment Act of 2002, increased the loan rate for corn in 2002-2003 to US\$1.98/bu and provided an additional US\$0.28/bu in direct payments. In addition, the newly introduced counter-cyclical payments, based on the difference between a target price of US\$2.60/bu and the higher of the loan rate or the posted county price, will contribute to additional producer support.

The LDP has encouraged corn production and has resulted in a corresponding decline in prices. While this has benefitted livestock producers and industry users in Canada with low priced corn, Canadian grain producers have been hurt by the lower prices.

OUTLOOK: 2002-2003

For 2002-2003, **coarse grain** supplies in western Canada are forecast by AAFC to increase due to a larger seeded area and increased yields. Production is forecast to increase by 2.5 Mt to 15.5 Mt due mostly to higher barley, oat, and corn production. Corn production is expected to increase significantly to 0.36 Mt due to a 43% increase in seeded area in Manitoba. The average farm price in 2002-2003 is expected to increase to CAN\$115-135/t from CAN\$105-125/t in 2001-2002.

Imports of corn for 2002-2003 are expected to fall to 1 Mt compared to the forecast of almost 2 Mt for 2001-2002 due to larger Canadian feedgrain supplies, and a narrower spread between the price of Canadian barley versus US corn. For 2002-2003, feed barley prices are expected to range between CAN\$135-165/t for No.1 in-store, Lethbridge versus CAN\$150-160/t in 2001-2002.

US corn supplies for 2002-2003 are expected to be unchanged as lower carry-in stocks will be offset by higher production. Production is expected to increase by about 3% compared to 2001 to 9.8 bln bu, due to a higher seeded area. Higher domestic industrial use and slightly higher exports are expected to reduce carry-out stocks to the lowest level since 1997-1998 and are expected to be supportive for corn prices in 2002-2003.

In 2002-2003, the mid-point average US farm price of corn is forecast to increase to US\$2.00/bu from US\$1.91/bu in 2001-2002. This implies a nearby average futures price on the CBOT of about US\$2.25/bu.

New improved corn varieties better suited for production in western Canada, fusarium concerns with barley production and corn's relative substitutability in feed rations make corn production a viable crop as a feed source for a growing hog industry.

**For more information,
please contact:**

**Sergio Novelli
Market Analyst
Phone: (204) 983-6865
E-mail: novellis@agr.gc.ca**

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524**

**Director: Maggie Liu
Chief: Fred Oleson**

Editor: Gordon MacMichael

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CANADA: GRAINS AND OILSEEDS OUTLOOK

July 5, 2002

In its June 28, 2002 seeded area report, Statistics Canada (STC) revised its estimates of seeded area for 2001-02 based on the 2001 Agricultural Census. Consequently, the estimates of area harvested, yield and production for 2001-02 were adjusted by AAFC. STC also released its estimates of area seeded for 2002-03 based on a survey conducted during May 24 to June 4. For 2002, in western Canada, the areas seeded to durum wheat, coarse grains and oilseeds increased while the areas seeded to spring wheat, pulse and special crops decreased, as did summerfallow. In eastern Canada, the areas seeded to wheat increased while corn and soybean area decreased from 2001-02. Due to a continuation of dry conditions in parts of Saskatchewan and Alberta, AAFC continues to forecast below average yields in western Canada. In eastern Canada, where most of the corn and soybeans are grown, moisture conditions are generally good and yields are expected to increase from the lows of 2001-02.

Total production of grains and oilseeds in Canada is forecast by AAFC to increase to 56.8 million tonnes (Mt) from 50.9 Mt in 2001-02 vs. the 10-year average of 59.7 Mt. However, the supply of grains and oilseeds is forecast to decrease slightly, due to low carry-in stocks and a significant decrease in corn imports. Total exports are forecast to decrease slightly to 21.6 Mt, as lower wheat exports more than offset higher exports of coarse grains and oilseeds. In Canada, wheat and coarse grain prices are expected to fall while oilseed prices rise slightly, or remain stable. Prices will be pressured by the expected appreciation of the Canadian dollar relative to the US dollar.

For 2002-03, US wheat prices (excluding durum) are expected to increase marginally from the 2001-02 level due to lower US and world ending stocks. Durum prices are expected to fall due to larger world supplies and rising stocks. US corn prices are expected to increase slightly due to lower ending stocks. Oilseed prices are expected to increase slightly due to higher edible oil prices, despite burdensome world oilseed supplies. The major factors to watch are: growing conditions in the major importing and exporting regions, the aggressiveness of the EU with export subsidies, China's policy on imports of GMO products and the depreciation of the US dollar.

WHEAT (ex-durum)

Production is forecast to decline by 4% for 2002-03, with slightly higher yields partly offsetting the 7% lower seeded area. Due to lower carry-in stocks, total supplies are forecast to decline by 10%. Exports are projected to decline by 19%, to 10.0 Mt, even lower than in 1988-89, and well below the 10-year average of 16 Mt. Feed use is expected to rise slightly, due to strong hog feed demand, assuming that a return to a normal grade distribution provides increased supplies of lower quality wheat. Carry-out stocks are forecast to decline by 4% from 2001-02, to an historically low level of 4.8 Mt. The Canadian Wheat Board (CWB) June Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$187/t, in-store Vancouver/St. Lawrence, vs. \$199/t for 2001-02. Ontario winter wheat production is forecast to rise by 7% to 1.1 Mt, due to lower abandonment.

DURUM

Production is forecast to increase by 66%, to 5.0 Mt, equal to the 5-year average, due to larger area seeded and improved yields. This will be partly offset by a 50% drop in carry-in stocks, so that supplies will be 10% higher than 2001-02. Exports are forecast to be unchanged from 2001-02, due to strong competition from other exporters. Domestic use is expected to rise by 24% due to increased feed use. Carry-out stocks are projected to increase by 24%, to 1.8 Mt, which is equal to the 5-year average. The CWB PRO for No.1 CWAD 11.5% protein is \$227/t I/S V/C/SL, vs. \$254/t for 2001-02. The premium over No.1 CWRS 11.5% is forecast at \$40/t vs. \$55/t for 2001-02.

BARLEY

Barley production is forecast to increase due to higher seeded area and higher yields. Abandonment is forecast to remain above the five year average due to strong demand for fodder. Increased barley supplies are expected

to result in higher feed use. Malting barley exports are forecast to increase slightly but feed barley exports are projected to remain low. However, barley exports will depend on the relationship between domestic prices and export prices. Carry-out stocks are forecast to be slightly higher than in 2001-02, and off-Board feed barley prices are expected to decrease slightly. The CWB PRO for No.1 CW Feed Barley is \$136/t vs. \$177/t for 2001-02. The CWB PRO for Special Select Two Row Designated Barley is \$175/t vs. \$212/t for 2001-02.

OATS

Production is forecast to rise sharply, mainly due to higher seeded area. The abandonment rate is expected to remain high due to strong demand for fodder. Exports and carry-out stocks are forecast to increase due to higher supplies. Prices are forecast to fall sharply to \$130-160/t, due to higher production in Canada, the US, and the EU. Oats are expected to be priced competitively with other feed grains.

CORN

Corn production is forecast to rise considerably, largely due to higher yields. Imports are expected to fall due to higher barley production in western Canada and higher corn production in eastern Canada. Feed use of corn is expected to decline, primarily as a result of the larger supplies of barley in western Canada. Carry-out stocks are forecast to remain stable. Chatham corn prices are forecast to fall slightly to \$110-140/t, despite higher US prices, mainly due to larger domestic corn supplies.

CANOLA

Production is expected to increase as the impact of higher seeded area more than offsets lower yields. Domestic crush and exports are both projected to rise, supported by higher world vegetable oil prices and slightly higher supplies.

Carry-out stocks are forecast to fall by 30%, to the lowest level in four years, but remain adequate. Prices are expected to rise to \$360-390/t, due to higher soyol and palmoil prices and dry conditions across major canola growing regions in western Canada.

FLAXSEED (excluding solin)

Production is expected to increase by 10% due to higher yields and seeded area. Supplies are forecast to decrease, due to a sharp decline in carry-in stocks. Exports are forecast to decline from 2001-02, while total domestic usage falls slightly. Carry-out stocks are expected to decline by 8%, supporting the price outlook of \$340-370/t.

SOYBEANS

Production is forecast to rise significantly to near-record highs, due to a return to normal yields following the sharply lower yields of 2001-02, despite the drop in harvested area. Imports are expected to fall significantly, moderating the rise in supplies. Exports are expected to rise sharply, to near the 5-year average, following the major decline in 2001-02. Domestic crush is forecast to remain unchanged at near-record high volumes. Prices are forecast to remain stable, at \$250-280/t, as support from higher US soybean prices is offset by the higher Canadian dollar and the widening basis related to increased domestic supply.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465

E-mail.....lennoxg@em.agr.ca

Coarse Grains.....Dennis Jackson 983-8461

E-mail.....jacksond@em.agr.ca

Oilseeds.....Chris Beckman.....984-4929

E-mail.....beckmac@em.agr.ca

Fred Oleson, Chief983-0807

E-mail.....olesonf@em.agr.ca

www.agr.gc.ca/mad-dam/

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

July 5, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use thousand metric tonnes | Feed, Waste & Dockage | Total Dom- estic Use (d) | Carry- Stocks | Average Price (e) \$/t |
|----------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|--|--------------------------|-----------------------------|------------------|------------------------------|
| Durum | | | | | | | | | | | |
| 2000-2001 | 2,614 | 2.16 | 5,647 | 10 | 7,432 | 3,486 | 255 | 596 | 1,065 | 2,882 | 242.61 |
| 2001-2002f | 2,060 | 1.46 | 3,010 | 10 | 5,902 | 3,600 | 260 | 342 | 852 | 1,450 | 254 * |
| 2002-2003f | 2,445 | 2.04 | 5,000 | 10 | 6,460 | 3,600 | 265 | 565 | 1,060 | 1,800 | 227 ** |
| Wheat Except Durum | | | | | | | | | | | |
| 2000-2001 | 8,349 | 2.53 | 21,157 | 50 | 27,171 | 13,263 | 2,760 | 3,619 | 7,272 | 6,636 | 182.41 |
| 2001-2002f | 8,596 | 2.07 | 17,780 | 60 | 24,476 | 12,400 | 2,785 | 3,460 | 7,076 | 5,000 | 199 * |
| 2002-2003f | 8,050 | 2.12 | 17,045 | 10 | 22,055 | 10,000 | 2,840 | 3,525 | 7,255 | 4,800 | 187 ** |
| All Wheat | | | | | | | | | | | |
| 2000-2001 | 10,963 | 2.44 | 26,804 | 60 | 34,604 | 16,749 | 3,015 | 4,215 | 8,337 | 9,518 | |
| 2001-2002f | 10,656 | 1.95 | 20,790 | 70 | 30,378 | 16,000 | 3,045 | 3,802 | 7,928 | 6,450 | |
| 2002-2003f | 10,495 | 2.10 | 22,045 | 20 | 28,515 | 13,600 | 3,105 | 4,090 | 8,315 | 6,600 | |
| Barley | | | | | | | | | | | |
| 2000-2001 | 4,551 | 2.96 | 13,468 | 40 | 16,346 | 2,639 | 359 | 10,444 | 11,240 | 2,466 | 128.85 |
| 2001-2002f | 4,208 | 2.65 | 11,165 | 110 | 13,741 | 1,700 | 330 | 9,356 | 10,141 | 1,900 | 150-160 |
| 2002-2003f | 4,540 | 2.79 | 12,655 | 70 | 14,625 | 1,900 | 330 | 9,930 | 10,725 | 2,000 | 135-165 |
| Corn | | | | | | | | | | | |
| 2000-2001 | 1,088 | 6.27 | 6,827 | 2,872 | 11,251 | 104 | 2,145 | 8,088 | 10,267 | 880 | 120.04 |
| 2001-2002f | 1,260 | 6.60 | 8,320 | 3,250 | 12,450 | 175 | 2,200 | 9,191 | 11,425 | 850 | 125-135 |
| 2002-2003f | 1,275 | 7.16 | 9,135 | 1,600 | 11,585 | 250 | 2,250 | 8,201 | 10,485 | 850 | 110-140 |
| Oats | | | | | | | | | | | |
| 2000-2001 | 1,299 | 2.61 | 3,389 | 8 | 4,519 | 1,759 | 111 | 1,620 | 1,906 | 854 | 114.49 |
| 2001-2002f | 1,260 | 2.18 | 2,750 | 60 | 3,664 | 1,450 | 150 | 1,506 | 1,839 | 375 | 195-205 |
| 2002-2003f | 1,625 | 2.30 | 3,730 | 5 | 4,110 | 1,700 | 150 | 1,537 | 1,860 | 550 | 130-160 |
| Rye | | | | | | | | | | | |
| 2000-2001 | 115 | 2.27 | 260 | 5 | 426 | 89 | 68 | 175 | 260 | 77 | |
| 2001-2002f | 102 | 1.91 | 195 | 5 | 277 | 65 | 62 | 101 | 177 | 35 | |
| 2002-2003f | 90 | 2.11 | 190 | 5 | 230 | 50 | 62 | 64 | 145 | 35 | |
| Mixed Grains | | | | | | | | | | | |
| 2000-2001 | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002f | 145 | 2.83 | 410 | 0 | 410 | 0 | 0 | 410 | 410 | 0 | |
| 2002-2003f | 160 | 2.81 | 450 | 0 | 450 | 0 | 0 | 450 | 450 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 2000-2001 | 7,181 | 3.39 | 24,327 | 2,925 | 32,924 | 4,592 | 2,683 | 20,709 | 24,056 | 4,277 | |
| 2001-2002f | 6,975 | 3.27 | 22,840 | 3,425 | 30,542 | 3,390 | 2,742 | 20,564 | 23,992 | 3,160 | |
| 2002-2003f | 7,690 | 3.40 | 26,160 | 1,680 | 31,000 | 3,900 | 2,792 | 20,182 | 23,665 | 3,435 | |
| Canola | | | | | | | | | | | |
| 2000-2001 | 4,816 | 1.48 | 7,126 | 224 | 9,507 | 4,838 | 3,013 | 606 | 3,651 | 1,018 | 290.70 |
| 2001-2002f | 3,758 | 1.32 | 4,971 | 250 | 6,239 | 2,500 | 2,300 | 394 | 2,739 | 1,000 | 350-360 |
| 2002-2003f | 3,978 | 1.28 | 5,110 | 250 | 6,360 | 2,700 | 2,500 | 415 | 2,960 | 700 | 360-390 |
| Flaxseed | | | | | | | | | | | |
| 2000-2001 | 591 | 1.17 | 693 | 11 | 1,090 | 613 | n/a | n/a | 218 | 259 | 261.03 |
| 2001-2002f | 671 | 1.06 | 710 | 10 | 979 | 625 | n/a | n/a | 224 | 130 | 305-325 |
| 2002-2003f | 678 | 1.15 | 780 | 10 | 920 | 600 | n/a | n/a | 200 | 120 | 340-370 |
| Soybeans | | | | | | | | | | | |
| 2000-2001 | 1,061 | 2.55 | 2,703 | 431 | 3,386 | 747 | 1,697 | 693 | 2,459 | 180 | 256.09 |
| 2001-2002f | 1,070 | 1.50 | 1,605 | 1,000 | 2,785 | 450 | 1,700 | 415 | 2,185 | 150 | 255-275 |
| 2002-2003f | 1,024 | 2.67 | 2,735 | 300 | 3,185 | 800 | 1,700 | 440 | 2,210 | 175 | 250-280 |
| Total Oilseeds | | | | | | | | | | | |
| 2000-2001 | 6,468 | 1.63 | 10,522 | 666 | 13,983 | 6,199 | 4,710 | 1,299 | 6,328 | 1,457 | |
| 2001-2002f | 5,499 | 1.33 | 7,286 | 1,260 | 10,003 | 3,575 | 4,000 | 809 | 5,148 | 1,280 | |
| 2002-2003f | 5,680 | 1.52 | 8,625 | 560 | 10,465 | 4,100 | 4,200 | 855 | 5,370 | 995 | |
| TOTAL GRAINS AND OILSEEDS | | | | | | | | | | | |
| 2000-2001 | 24,612 | 2.51 | 61,653 | 3,651 | 81,511 | 27,540 | 10,408 | 26,223 | 38,720 | 15,252 | |
| 2001-2002f | 23,130 | 2.20 | 50,916 | 4,755 | 70,923 | 22,965 | 9,787 | 25,175 | 37,068 | 10,890 | |
| 2002-2003f | 23,865 | 2.38 | 56,830 | 2,260 | 69,980 | 21,600 | 10,097 | 25,127 | 37,350 | 11,030 | |

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: **Wheat**: No.1 CWRS and **Durum**: No.1 CWAD - (CWB final price I/S St. Lawrence/Vancouver);

Barley (No.1 Feed, WCE cash I/S, Lethbridge); **Corn** (No.2 CE cash I/S, Chatham); **Oats** (US No. 2 Heavy, CBoT nearby futures);

Canola (No.1 Canada, WCE cash I/S, Vancouver); **Flaxseed** (No.1 CW WCE cash I/S, Thunder Bay); **Soybeans** (No.2, I/S, Chatham).

* - CWB PRO May/02 **June/02. Prices for No.1 CWRS and No.1 CWAD with 11.5% protein for 2000-01 to 2002-03. This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, July 5, 2002

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

July 5, 2002

In its June 28, 2002 seeded area report, Statistics Canada (STC) revised its estimates of seeded area for 2001-02 to reflect the 2001 Agricultural Census. Consequently the estimates of harvested area, yields and production for 2001-02 were adjusted by AAFC. STC also released its estimates of area seeded for 2002-03 based on a survey conducted during May 24 to June 4. Area seeded to pulse and special crops in Canada decreased by 4% from 2001-02. Higher seeded area for dry beans, mustard seed, canary seed and sunflower seed, was more than offset by a lower area for dry peas, lentils, chick peas and buckwheat. Although soil moisture is generally good in Quebec, Ontario, Manitoba and southern Alberta and Saskatchewan, most areas of northern Alberta and Saskatchewan are short of moisture. For dry peas, lentils, chick peas, mustard seed and canary seed, average yields are forecast to be lower and abandonment rates higher than normal because a significant portion of these crops are grown in the dry areas. For dry beans, sunflower seed and buckwheat, normal yields and abandonment rates are forecast because these crops are mostly grown in areas with better moisture conditions. Crop development is one to two weeks behind normal. It is assumed for this outlook that precipitation will be normal for rest of the growing period. The most important factors to watch are precipitation and crop development for the rest of the growing period.

For 2002-03, total pulse and special crops production is forecast to increase by 3%, compared to 2001-02, to 3.7 million tonnes (Mt). Total supply is expected to decrease by 7% because of lower carry-in stocks. Total exports are forecast to decrease due to lower supply, while total domestic use increases slightly, resulting in lower carry-out stocks. Average prices, compared to 2001-02, are forecast to increase for lentils, chick peas and sunflower seed, but decrease for dry peas, dry beans, mustard seed and canary seed, and to be stable for buckwheat. However, prices are expected to be very sensitive to any production problems in Canada and importing and other exporting countries, due to low world carry-in stocks.

DRY PEAS

For 2002-03, production is forecast to decrease slightly, due to lower seeded area. Total supply is forecast to decrease by 7% because of lower carry-in stocks. Total world supply is expected to decrease slightly to 10.6 Mt. Canadian exports are forecast to decrease, with a larger portion going into the feed market as demand in the food market is expected to decrease because of better domestic pulse crops supply in India. Carry-out stocks are forecast to decrease to a very low level. Prices are expected to be pressured by lower food market demand. The average price, over all types, grades and markets, is forecast to decrease by about 10%, as compared to 2001-02.

LENTILS

Production is forecast to decrease by 6%, as a 15% decrease in seeded area is partly offset by higher yields. Production is expected to increase slightly for large and medium green lentils, but decrease for small green and red lentils. Total supply is forecast to decrease by 19% due to lower carry-in stocks. Total world supply is expected to decrease slightly to 3.6 Mt. Canadian exports are expected to decrease due to the lower supply. Carry-out stocks are forecast to decrease to a very low level. The average price, over all types and grades, is forecast to increase by about 10%, due to the lower supply.

DRY BEANS

Production is forecast to increase by 34%, due to a 26% increase in seeded area, lower abandonment and higher yields. Production of white pea beans is forecast to increase by 59% to 170,000 t, while production of coloured beans increases by 20% to 205,000 t. Total supply is expected to increase by only 13% because of lower carry-in stocks. Exports are forecast to be similar to 2001-02 and carry-out stocks are expected to increase, with a stocks-to-use (s/u) ratio of 11%. US production is expected to increase by 45%. Total US and Canadian supply is expected to increase by only 15%, due

to lower carry-in stocks. The average price, over all classes and grades, is forecast to decrease by about 20% because of increased supply.

CHICK PEAS

Production is forecast to decrease by 45%, as a 55% decrease in seeded area is partly offset by higher yields. Although production of all types is expected to decrease, the largest decrease is expected for the small kabuli type, followed by the large kabuli and desi types. Total Canadian supply is forecast to decrease by only 26% due to higher carry-in stocks. Total world supply is expected to fall marginally to 7.9 Mt. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are forecast to decrease, with a s/u ratio of 6%. Lower production is expected to support prices of the kabuli type, while prices of the desi type are expected to be similar to 2001-02. The average price over all types, sizes and grades is forecast to increase slightly.

MUSTARD SEED

Production is forecast to increase by 133% due to a 75% increase in seeded area and higher yields. Production is expected to increase for all three types, yellow, brown and oriental. Total supply is forecast to increase by only 17%, due to lower carry-in stocks. Exports are expected to increase because of the higher supply. Carry-out stocks are forecast to remain low, with a s/u ratio of 7%. The average price, over all types and grades, is forecast to decrease by about 30% because of expected increased supply in Canada, the US and Europe.

CANARY SEED

Production is forecast to increase by 107%, due to a 68% increase in seeded area and higher yields. Total supply is forecast to increase by only 29%, due to lower carry-in stocks. Total world supply is forecast to increase by 24% to 280,000 t. Exports are expected to increase, because of the higher supply. Carry-out stocks are forecast to increase, with a s/u ratio of 13%.

The average price is forecast to decrease by about 40% because of increased supply.

SUNFLOWER SEED

Production is forecast to increase by 44%, due to a 33% in seeded area and higher yields. Confectionary sunflower seed production is expected to increase by 31% to 105,000 t, while oil sunflower seed production is expected to nearly double to 45,000 t. Total supply is forecast to increase by only 6% because of lower carry-in stocks. Exports are expected to increase, while domestic use remains stable. Carry-out stocks are forecast to remain low, with a s/u ratio of 6%. Total world supply is expected to increase slightly to 22.7 Mt. Total US and Canadian supply of the confectionary type is expected to decrease significantly, while the total supply for the oilseed type decreases only slightly. The lower total US and Canadian supply is expected to support prices for the confectionary type, while higher world supply is expected to pressure prices for the oilseed type. Therefore, the average price in Canada, over both confectionary and oilseed types, is forecast to increase by about 5% because of stronger prices for the confectionary type.

BUCKWHEAT

Production is forecast to decrease by 11%, as a 24% decrease in seeded area is partly offset by higher yields. Total use is forecast to remain stable. The average price over all grades and markets is forecast to be the same as in 2001-02, in line with stable world total supply of about 3.4 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mailskrypetz@agr.gc.ca
Fred Oleson, Chief(204) 983-0807
E-mail.....olesonf@agr.gc.ca

www.agr.gc.ca/mad-dam/

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

July 5, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Carry-out Stocks | Average Price (e) \$/t |
|---|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|---------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 | 1,220 | 2.35 | 2,864 | 12 | 3,276 | 2,196 | 885 | 195 | 138 |
| 2001-2002f | 1,290 | 1.57 | 2,030 | 20 | 2,245 | 1,450 | 695 | 100 | 180-190 |
| 2002-2003f | 1,220 | 1.62 | 1,975 | 15 | 2,090 | 1,300 | 740 | 50 | 150-180 |
| Lentils | | | | | | | | | |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 | 688 | 1.33 | 914 | 5 | 999 | 550 | 243 | 206 | 295 |
| 2001-2002f | 669 | 0.85 | 568 | 5 | 779 | 525 | 164 | 90 | 310-320 |
| 2002-2003f | 575 | 0.93 | 535 | 5 | 630 | 450 | 165 | 15 | 330-360 |
| Dry Beans | | | | | | | | | |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 | 165 | 1.62 | 268 | 40 | 348 | 227 | 71 | 50 | 465 |
| 2001-2002f | 164 | 1.70 | 279 | 30 | 359 | 280 | 69 | 10 | 715-725 |
| 2002-2003f | 220 | 1.71 | 375 | 20 | 405 | 280 | 85 | 40 | 545-585 |
| Chick Peas | | | | | | | | | |
| 1998-1999 | 40 | 1.33 | 53 | 2 | 56 | 14 | 37 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 | 283 | 1.37 | 388 | 5 | 408 | 179 | 199 | 30 | 410 |
| 2001-2002f | 460 | 0.97 | 447 | 8 | 485 | 220 | 160 | 105 | 375-385 |
| 2002-2003f | 215 | 1.14 | 245 | 10 | 360 | 200 | 140 | 20 | 370-400 |
| Mustard Seed | | | | | | | | | |
| 1998-1999 | 279 | 0.86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 | 208 | 0.97 | 202 | 1 | 318 | 151 | 67 | 100 | 280 |
| 2001-2002f | 148 | 0.67 | 99 | 2 | 201 | 140 | 56 | 5 | 635-645 |
| 2002-2003f | 280 | 0.82 | 230 | 1 | 236 | 155 | 66 | 15 | 420-450 |
| Canary Seed | | | | | | | | | |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 | 164 | 1.04 | 171 | 0 | 261 | 170 | 21 | 70 | 265 |
| 2001-2002f | 170 | 0.59 | 101 | 0 | 171 | 140 | 21 | 10 | 645-655 |
| 2002-2003f | 260 | 0.81 | 210 | 0 | 220 | 160 | 35 | 25 | 380-410 |
| Sunflower Seed | | | | | | | | | |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 | 69 | 1.72 | 119 | 18 | 178 | 77 | 70 | 31 | 320 |
| 2001-2002f | 67 | 1.55 | 104 | 25 | 160 | 85 | 70 | 5 | 350-360 |
| 2002-2003f | 95 | 1.58 | 150 | 15 | 170 | 90 | 70 | 10 | 355-385 |
| Buckwheat | | | | | | | | | |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 | 15 | 0.93 | 14 | 1 | 16 | 9 | 7 | 0 | 305 |
| 2001-2002f | 13 | 1.15 | 15 | 1 | 16 | 8 | 7 | 1 | 320-330 |
| 2002-2003f | 11 | 1.18 | 13 | 1 | 15 | 8 | 7 | 0 | 310-340 |
| Total Pulse and Special Crops(c) | | | | | | | | | |
| 1998-1999 | 2,156 | 1.70 | 3,660 | 109 | 4,301 | 2,634 | 1,036 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 | 2,812 | 1.76 | 4,940 | 82 | 5,804 | 3,559 | 1,563 | 682 | |
| 2001-2002f | 2,981 | 1.22 | 3,643 | 91 | 4,416 | 2,848 | 1,242 | 326 | |
| 2002-2003f | 2,876 | 1.30 | 3,733 | 67 | 4,126 | 2,643 | 1,308 | 175 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, July 5, 2002.

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday June 17, 2002

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 46% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|----------------|------------------|-------------|--------|------------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| Vancouver B.C. | This week | FOB | 185.16 | N/A | 181.16 | 165.00 | | 331.50 | (7) 235.00 | 139.00 | 310.00 | (4) 880.00 | 470.00 | | | | 410.00 |
| | Week ago | | 185.16 | N/A | 181.16 | 166.00 | | 331.75 | (7) 232.00 | 139.00 | 315.00 | (4) 880.00 | 470.00 | | | | 420.00 |
| Calgary | This week | FOB | 162.00 | N/A | 158.00 | 165.00 | | 323.50 | N/A | | 270.00 | (4) 930.00 | 505.00 | | | | 410.00 |
| Alta | Week ago | | 162.00 | N/A | 158.00 | 164.00 | | 323.50 | N/A | | 275.00 | (4) 930.00 | 505.00 | | | | 420.00 |
| Saskatoon | This week | FOB | 160.00 | 210.00 | 143.00 | 158.00 | | 316.00 | 230.00 | | 270.00 | (4) N/A | 505.00 | | 166.67 | | 440.00 |
| Sask. | Week ago | | 159.50 | 210.00 | 146.50 | 158.00 | | 316.00 | 222.00 | | 275.00 | (4) N/A | 505.00 | | 166.67 | | 450.00 |
| Melfort | This week | FOB | N/A | N/A | N/A | | | | | | | | | | | | |
| Sask. | Week ago | | 173.50 | 223.83 | 142.00 | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 174.50 | (9) 214.85 | 145.65 | 152.00 | | 300.50 | 220.00 | | 295.00 | (4) 900.00 | 420.00 | | | | 415.00 |
| Man. | Week ago | | 169.50 | (9) 227.55 | 145.48 | 150.00 | | 302.00 | 212.00 | | 295.00 | (4) 900.00 | 420.00 | | | | 415.00 |
| Thunder Bay | This week | In-store | N/A | N/A | (8) 151.50 | | | | | | | | | | | | |
| Ont. | Week ago | | 168.50 | 244.39 | (8) 151.00 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 136.84 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 131.96 | | | | | | | | | | | |
| Bay Ports | This week | In-store | 192.50 | 318.00 | N/A | | | | | | | | | | | | |
| Ont. | Week ago | | 188.50 | 318.00 | N/A | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 141.43 | | | | | | | | | | | |
| Ont. | Week ago | | | | | 140.45 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 287.00 | (5) N/A | 430.00 | 440.00 | 137.00 | 255.00 | 335.00 |
| Ont. | Week ago | | | | | | | | | | 298.00 | (5) N/A | 430.00 | 430.00 | 137.00 | 255.00 | 335.00 |
| Hamilton | This week | N/A | | | | | FOB | 303.42 | N/A | | | | | | | | |
| Ont. | Week ago | | | | | | | 314.27 | N/A | | | | | | | | |
| Eastern | This week | FOB | | | | 142.75 | | | | | | | | | | | |
| Ontario | Week ago | | | | | 142.00 | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | 430.00 | 129.00 | | |
| Ont. | Week ago | | | | | | | | | | | | | 420.00 | 129.00 | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | 430.00 | | | |
| Ont. | Week ago | | | | | | | | | | | | | 420.00 | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | 430.00 | 129.00 | | |
| Ont. | Week ago | | | | | | | | | | | | | 420.00 | 129.00 | | |
| Montreal | This week | | | | | | FOB | 318.75 | 233.46 | 107.83 | 287.00 | (5) 825.00 | 325.00 | 420.00 | 139.00 | 243.00 | 350.00 |
| Que. | Week ago | | | | | | | 320.88 | 237.66 | 108.00 | 298.00 | (5) 825.00 | 325.00 | 430.00 | 139.00 | 243.00 | 350.00 |
| Trois-Riv. | This week | In-store | 212.50 | | 189.50 | 156.78 | | | | | | | | | | | |
| Que. | Week ago | | 208.50 | | 189.00 | 154.22 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | 182.25 | 215.00 | 171.67 | (2) 150.48 | | | | | | | | | | | |
| St-Hyacinthe | Week ago | | 175.25 | 215.00 | 164.00 | (2) 150.29 | | | | | | | | | | | |
| Quebec | This week | In-store | 207.50 | | 189.17 | 155.86 | FOB | 317.50 | | | | | | | | | |
| Que. | Week ago | | 203.17 | | 188.33 | 155.21 | | 318.67 | | | | | | | | | |
| Truro | This week | Track | 234.09 | 281.43 | 208.27 | 182.05 | FOB | 338.02 | 276.67 | | 323.00 | | 400.00 | | | | 350.00 |
| N.S. | Week ago | | 237.42 | 265.28 | 213.47 | 183.07 | | 344.08 | 279.77 | | 334.00 | | 400.00 | | | | 350.00 |
| Truro | This week | Water | 217.80 | N/A | N/A | 172.55 | | | | | | | | | | | |
| N.S. | Week ago | & Truck | 222.00 | N/A | N/A | 172.75 | | | | | | | | | | | |
| Halifax | This week | In-store | 208.80 | N/A | N/A | 163.55 | FOB | | | 267.00 | | (6) 950.00 | | | | | |
| N.S. | Week ago | | 213.00 | N/A | N/A | 163.75 | | | | 267.00 | | (6) 950.00 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard Tel: (514) 283-3815 (575) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5473 as of June 17, 2002

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Gluten Meal 60% Protein. Fish Meal- white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat -3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Futures WCE (9) 3CW

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday June 17, 2002

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| From: Thunder Bay 2 | In-Store | WHEAT | 184.50 | 181.50 | 171.20 | 136.90 |
| CBOT | | OATS | N/A | 244.39 | 202.69 | 137.66 |
| LETHBRIDGE | | BARLEY | 157.30 | 158.00 | 153.70 | 133.30 |
| To: Bayports, Ont. | In-store | WHEAT | 207.60 | 204.60 | 194.30 | 160.00 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 184.45 | 185.15 | 1. | 180.85 |
| Montreal, Que. | In-store | WHEAT | 212.35 | 209.35 | 1. | 199.05 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 189.57 | 190.27 | 1. | 185.97 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 234.82 | 231.82 | 221.52 | 187.22 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 215.93 | 216.63 | 212.33 | 191.93 |
| Truro, N.S. | Truck via Halifax | WHEAT | 232.32 | 229.32 | 219.02 | 184.72 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 211.05 | 211.75 | 207.45 | 187.05 |
| Halifax, N.S. | In-store | WHEAT | 219.65 | 216.65 | 1. | 206.35 |
| | | OATS | N/A | N/A | 1.0 | N/A |
| | | BARLEY | 197.37 | 198.07 | 1.0 | 193.77 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 279.43 | 276.43 | 266.13 | 231.83 |
| | | OATS | N/A | 350.59 | 308.89 | 243.86 |
| | | BARLEY | 264.44 | 265.14 | 260.84 | 240.44 |
| From: Melfort, Sask. | FOB | WHEAT | N/A | 173.50 | 163.20 | 133.70 |
| | | OATS | N/A | 223.83 | 182.07 | 119.77 |
| | | BARLEY | N/A | 142.00 | 128.90 | 127.30 |
| To: Bayports, Ont. | Track | WHEAT | N/A | 222.65 | 212.35 | 189.82 |
| | | OATS | N/A | 280.72 | 238.96 | 178.64 |
| | | BARLEY | N/A | 191.70 | 178.60 | 180.69 |
| Montreal, Que. | Track | WHEAT | N/A | 223.41 | 213.11 | 190.57 |
| | | OATS | N/A | 284.44 | 242.68 | 179.57 |
| | | BARLEY | N/A | 192.52 | 179.42 | 181.51 |
| Moncton, N.B. | Track | WHEAT | N/A | 251.69 | 241.39 | 211.75 |
| | | OATS | N/A | 308.72 | 266.96 | 202.88 |
| | | BARLEY | N/A | N/A | N/A | 193.62 |
| Truro, N.S. | Track | WHEAT | N/A | 249.88 | 239.58 | 211.92 |
| | | OATS | N/A | 309.73 | 267.97 | 203.85 |
| | | BARLEY | N/A | N/A | N/A | 207.24 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | N/A | 296.94 | 286.64 | 255.26 |
| | | OATS | N/A | 359.01 | 317.25 | 251.23 |
| | | BARLEY | N/A | N/A | N/A | 255.53 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|---------------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 136.84 | 131.96 | 130.55 | 114.74 |
| To: Montreal, Que. (US Corn) | In-store | | 155.74 | 150.86 | 149.45 | 133.64 |
| From: Chicago (M) | Track | | 135.62 | 131.96 | 131.77 | 108.15 |
| To: Montreal, Que. (US Corn) | Track | | 164.65 | 160.99 | 160.80 | 135.69 |
| From: Chatham | Track | | 141.43 | 140.45 | 141.33 | 121.45 |
| To: Montreal, Que. | Track | | 164.81 | 163.83 | 164.71 | 144.34 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | |
|-----------------------------|---------------------------------|---------------|---------------|---------------|---------------|
| From: Hamilton, Ont. | | 309.42 | 314.27 | 307.65 | 319.45 |
| To: Montreal, Que. | Track | 333.84 | 338.69 | 332.07 | 341.92 |
| Moncton, N.B. | Track | 357.05 | 361.90 | 355.28 | 359.23 |
| Truro, N.S. | Track | 355.88 | 360.73 | 354.11 | 362.20 |
| Stephenville, Nfld. | Track / Truck via Sydney | 404.68 | 409.53 | 402.91 | 411.46 |

1. Prices include ONE month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | | As of Monday July 1, 2002 | | | | | | | |
|---|---------------------|----------------|------------|------------|------------|------------|----------------|---------------------|----------------|----------------|--------------|--------------|---------------|----------------|--------------|-----------------|-----------------|---------------------------|--|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL- FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | | | | | | | | |
| Vancouver B.C. | This week | FOB | 198.16 | N/A | 195.16 | 179.00 | | 354.50 | (7) 262.50 | 144.00 | 310.00 | (4) 880.00 | 480.00 | | | | 400.00 | | | | | | | | |
| | Week ago | | 185.16 | N/A | 181.16 | 165.00 | | 328.00 | (7) 234.50 | 139.00 | 310.00 | (4) 880.00 | 480.00 | | | | 400.00 | | | | | | | | |
| Calgary Alta | This week | FOB | 175.00 | N/A | 172.00 | 170.00 | | 333.00 | N/A | | 270.00 | (4) 930.00 | 515.00 | | | | 400.00 | | | | | | | | |
| | Week ago | | 162.00 | N/A | 158.00 | 165.00 | | 320.50 | N/A | | 270.00 | (4) 930.00 | 515.00 | | | | 400.00 | | | | | | | | |
| Saskatoon Sask. | This week | FOB | 163.00 | 217.50 | 151.00 | 163.00 | | 326.00 | 250.00 | | 270.00 | (4) N/A | 515.00 | | 180.00 | | 430.00 | | | | | | | | |
| | Week ago | | 162.00 | 230.00 | 150.50 | 162.00 | | 313.50 | 229.00 | | 270.00 | (4) N/A | 515.00 | | 171.67 | | 430.00 | | | | | | | | |
| Melfort Sask. | This week | FOB | N/A | N/A | 166.50 | | | | | | | | | | | | | | | | | | | | |
| Winnipeg | Week ago | | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | | | |
| Man. Thunder Bay | This week | FOB | 183.50 | (9) 204.18 | 152.85 | 154.00 | | 310.00 | 240.00 | | 300.00 | (4) 900.00 | 435.00 | | | | 415.00 | | | | | | | | |
| | Week ago | | 176.50 | (9) 204.18 | 149.52 | 149.00 | | 297.50 | 219.00 | | 300.00 | (4) 900.00 | 420.00 | | | | 415.00 | | | | | | | | |
| Ont. Lake Ports USA | This week | In-store | (8) 195.50 | N/A | (8) 169.50 | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | N/A | N/A | (8) 161.60 | | | | | | | | | | | | | | | | | | | | |
| Bay Ports Ont. | This week | On Board | | | | 143.49 | | | | | | | | | | | | | | | | | | | |
| | Week ago | Vessel | | | | 137.34 | | | | | | | | | | | | | | | | | | | |
| Chatham Ont. | This week | In-store | 205.50 | 320.00 | N/A | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 196.00 | 320.00 | N/A | | | | | | | | | | | | | | | | | | | | |
| Toronto Ont. | This week | Track | | | | 151.57 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 146.06 | | | | | | | | | | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | FOB | | | | 276.00 | (5) N/A | 430.00 | 440.00 | 134.00 | 255.00 | 335.00 | | | | | | | | |
| | Week ago | | | | | | | | | | 279.67 | (5) N/A | 430.00 | 440.00 | 137.00 | 255.00 | 335.00 | | | | | | | | |
| Eastern Ontario | This week | N/A | | | | | FOB | 328.82 | N/A | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | 313.05 | N/A | | | | | | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | 150.00 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 146.50 | | | | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | 430.00 | 126.00 | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | 430.00 | 129.00 | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | 79.00 | | | | 430.00 | | | | | | | | | | | |
| | Week ago | | | | | | | | | 78.00 | | | | 430.00 | | | | | | | | | | | |
| Montreal Que. | This week | FOB | | | | | | | | | | | | 430.00 | 126.00 | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | 430.00 | 129.00 | | | | | | | | | | |
| Trois-Riv. Que. | This week | FOB | | | | | | | | | | | | 430.00 | 136.00 | 243.00 | 350.00 | | | | | | | | |
| | Week ago | | | | | | | | | | | | | 440.00 | 139.00 | 243.00 | 350.00 | | | | | | | | |
| St-Jean,Que. St-Hyacinthe,Que. | This week | In-store | 225.50 | | 204.50 | 167.31 | | 333.67 | 251.22 | 103.83 | 276.00 | (5) 825.00 | 325.00 | 440.00 | 136.00 | 243.00 | 350.00 | | | | | | | | |
| | Week ago | | 216.00 | | 199.60 | 161.41 | | 322.97 | 238.65 | 104.00 | 276.00 | (5) 825.00 | 325.00 | 440.00 | 139.00 | 243.00 | 350.00 | | | | | | | | |
| Quebec Que. | This week | FOB | 192.75 | 220.00 | 178.25 | (2) 157.87 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 180.50 | 218.33 | 172.30 | (2) 155.50 | | | | | | | | | | | | | | | | | | | |
| Truro N.S. | This week | In-store | 216.83 | 203.17 | 165.21 | 165.21 | FOB | 335.91 | | | | | | | | | | | | | | | | | |
| | Week ago | | 208.00 | | 199.93 | 161.41 | | 318.60 | | | | | | | | | | | | | | | | | |
| Truro N.S. | This week | Track | 243.09 | 281.43 | 223.12 | 193.58 | FOB | 358.85 | 279.65 | | | | 400.00 | | | | 350.00 | | | | | | | | |
| | Week ago | | 235.92 | 281.43 | 209.57 | 181.51 | | 344.25 | 275.47 | | | | 400.00 | | | | 350.00 | | | | | | | | |
| Truro N.S. | This week | Water | 232.30 | N/A | N/A | 182.10 | | | | | | | | | | | | | | | | | | | |
| | Week ago | & Truck | 223.45 | N/A | N/A | 175.30 | | | | | | | | | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | 223.30 | N/A | N/A | 173.10 | FOB | | | | | | | | | | | | | | | | | | |
| | Week ago | | 214.45 | N/A | N/A | 166.30 | | | | | | | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard Tel: (514) 283-3815 (575) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5260 as of July 2, 2002

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat , No.1 Feed Oats , No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn , No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein , Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal Fat may contain varied % of restaurant grease.

(1) Wheat 3C WRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast (63% Protein) (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Futures WCE (9) 3CW

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday July 1, 2002

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|------------|---------------|---------------|
| From: Thunder Bay 2 | In-Store | WHEAT | 195.50 | 189.00 | | 187.50 | 117.50 |
| CBOT | | OATS | N/A | N/A | | 231.52 | 141.22 |
| LETHBRIDGE | | BARLEY | 169.50 | 161.40 | | 160.00 | 133.50 |
| To: Bayports, Ont. | In-store | WHEAT | 218.60 | 212.10 | 1. | 210.60 | 140.60 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 196.65 | 188.55 | 1. | 187.15 | 160.65 |
| Montreal, Que. | In-store | WHEAT | 223.35 | 216.85 | 1. | 215.35 | 145.35 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 201.77 | 193.67 | 1. | 192.27 | 165.77 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 245.82 | 239.32 | | 237.82 | 167.82 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 228.13 | 220.03 | | 218.63 | 192.13 |
| Truro, N.S. | Truck via Halifax | WHEAT | 243.32 | 236.82 | | 235.32 | 165.32 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 223.25 | 215.15 | | 213.75 | 187.25 |
| Halifax, N.S. | In-store | WHEAT | 230.65 | 224.15 | 1. | 222.65 | 152.65 |
| | | OATS | N/A | N/A | 1.0 | N/A | N/A |
| | | BARLEY | 209.57 | 201.47 | 1.0 | 200.07 | 173.57 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 290.43 | 283.93 | | 282.43 | 212.43 |
| | | OATS | N/A | N/A | | 337.72 | 247.42 |
| | | BARLEY | 276.64 | 268.54 | | 267.14 | 240.64 |
| From: Melfort, Sask. | FOB | WHEAT | 199.50 | N/A | | 179.50 | 132.90 |
| | | OATS | N/A | N/A | | 210.99 | 123.34 |
| | | BARLEY | 166.50 | N/A | | 144.10 | 126.50 |
| To: Bayports, Ont. | Track | WHEAT | 248.65 | N/A | | 228.65 | 189.02 |
| | | OATS | N/A | N/A | | 267.88 | 182.21 |
| | | BARLEY | 216.20 | N/A | | 193.80 | 179.89 |
| Montreal, Que. | Track | WHEAT | 249.41 | N/A | | 229.41 | 189.77 |
| | | OATS | N/A | N/A | | 271.60 | 183.11 |
| | | BARLEY | 217.02 | N/A | | 194.62 | 180.71 |
| Moncton, N.B. | Track | WHEAT | 277.69 | N/A | | 257.69 | 210.95 |
| | | OATS | N/A | N/A | | 295.88 | 206.45 |
| | | BARLEY | N/A | N/A | | N/A | 192.82 |
| Truro, N.S. | Track | WHEAT | 275.88 | N/A | | 255.88 | 211.12 |
| | | OATS | N/A | N/A | | 296.89 | 207.42 |
| | | BARLEY | N/A | N/A | | N/A | 206.44 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | 322.94 | N/A | | 302.94 | 254.46 |
| | | OATS | N/A | N/A | | 346.17 | 254.80 |
| | | BARLEY | N/A | N/A | | N/A | 254.73 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|------------|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 143.49 | 137.34 | | 135.30 | 116.51 |
| To: Montreal, Que. (US Corn) | In-store | | 162.39 | 156.24 | 1.0 | 154.20 | 135.41 |
| From: Chicago (MI) | Track | | 142.30 | 139.13 | | 134.10 | 112.93 |
| To: Montreal, Que. (US Corn) | Track | | 171.33 | 168.16 | | 163.13 | 140.47 |
| From: Chatham | Track | | 151.57 | 146.06 | | 144.09 | 122.53 |
| To: Montreal, Que. | Track | | 174.95 | 169.44 | | 167.47 | 145.42 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 328.82 | 313.05 | | 312.72 | 332.89 |
| To: Montreal, Que. | Track | | 353.24 | 337.47 | | 337.14 | 355.36 |
| Moncton, N.B. | Track | | 376.45 | 360.68 | | 360.35 | 372.67 |
| Truro, N.S. | Track | | 375.28 | 359.51 | | 359.18 | 375.64 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 424.08 | 408.31 | | 407.98 | 424.90 |

- Prices include ONE month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
 Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Bi-weekly Bulletin

July 19, 2002 Volume 15 Number 14

CANADA: PRIMARY PROCESSING OF GRAINS, OILSEEDS, PULSES AND SPECIAL CROPS

The capacity of Canada's primary processing industry for grains, oilseeds, pulse and special crops excluding primary processing of animal feed, increased about 14% during the past 5 years. That capacity, currently estimated at 16 million tonnes (Mt) per year, represents about 25% of Canada's total grains, oilseeds, pulse and special crops production. The largest growth has been in primary processing of corn and oats. This issue of the *Bi-weekly Bulletin* examines some of the changes that have occurred within Canada's primary processing industry during the past 5 years.

BACKGROUND

The importance of Canada's agricultural sector is well documented. Agriculture and agri-food activities contribute to 8.5% of Canada's gross national product and provide one of seven Canadian jobs. Every year, Canadian farmers turn about \$14 billion (bln) worth of farm inputs into \$28 bln worth of

sales, much of which is processed into consumable products for the domestic and export markets. Agriculture and agri-food is the largest manufacturing sector in seven out of 10 provinces, and it is Canada's second largest manufacturing sector. The value of agriculture and agri-food is estimated at \$130 bln annually, of which approximately \$23 bln is exports.

Canada, as a major grains, oilseeds, pulse and special crops producing country, is improving its competitive position in world markets by adopting more efficient and innovative agronomic practices, by diversifying into non-traditional crops, and by shifting toward more value-added activities. These activities include the construction of biomass-based ethanol plants, which

CANADA: GRAINS AND OILSEEDS PROCESSING CAPACITY

| Commodity | CANADA | | EASTERN CANADA | | WESTERN CANADA | |
|---------------------|---|---------------|----------------|---------------|----------------|---------------|
| | 1997 -1998 | 2001 -2002 | 1997 -1998 | 2001 -2002 | 1997 -1998 | 2001 -2002 |
| |tonnes per day of raw product..... | | | | | |
| Oilseeds | 16,865 | 16,500 | n/a | n/a | n/a | n/a |
| Wheat Flour | 10,331 | 12,400 | 7,097 | 8,258 | 3,234 | 4,142 |
| Wheat Fractionation | 210 | 512 | 0 | 0 | 210 | 512 |
| Durum Flour | 1,495 | 1,787 | 987 | 1,005 | 508 | 782 |
| Corn | 4,335 | 6,440 | 3,825 | 5,995 | 510 | 445 |
| Malt Barley | 3,249 | 3,376 | 820 | 767 | 2,429 | 2,609 |
| Oats | 1,537 | 2,260 | 421 | 454 | 1,116 | 1,806 |
| Specialty Products | 374 | 496 | 221 | 343 | 153 | 153 |
| Total | 38,396 | 43,771 | | | | |

Source: Grain and Milling Annual, Ontario Corn Producers' Association, Canadian Oilseed Processors Association, Canola Council of Canada and other industry sources.

has been encouraged by the *Government of Canada Action Plan 2000 on Climate Change*. This 5-year initiative, which was announced in October 2000, is aimed at having up to 25% of Canada's total gasoline supply containing 10% ethanol, a blend that can be readily used in most passenger vehicles.

The growth of value-added activities such as primary processing of grains, oilseeds, pulse and special crops has been identified as a priority by Agriculture and Agri-Food Canada (AAFC). Ultimately, these value-added activities will contribute to a stronger agricultural sector, as well as improving Canada's economic and environmental well-being.

Oilseeds

The **oilseed** processing industry is, by volume, the largest primary processing industry for Canadian grains and oilseeds but the industry has matured in recent years. During the past 5 years, Canadian oilseed processing capacity has remained virtually unchanged. This is in direct contrast to the doubling of capacity during the previous decade when Prairie farmers diversified their farming operations and added considerably more canola production to their crop rotations.

Canola crushing accounts for more than half of Canada's total oilseeds processing capacity. Despite the closure of the *Canadian Agra Foods Ltd* plant in Sexsmith, Alberta, crushing capacity has been maintained as the remaining plants modernized and expanded. Today, canola crushing capacity is estimated at 12,000 tonnes per day (t/d), however, it must be noted that the industry is operating at well below capacity.

Canada's major canola crushers are: *ADM Agri-Industries Ltd* with plants in Windsor, Ontario and Lloydminster, Alberta; and *CanAmerna Foods* with plants in Hamilton, Ontario; Altona, Manitoba; Harrowby, Manitoba; Nipawin, Saskatchewan; and Fort Saskatchewan,

Alberta. As well, there are two plants owned by *Canbra Foods Ltd* (Lethbridge, Alberta) and *Cargill* (Clavet, Saskatchewan) whose combined capacity accounts for about 25% of Canada's total canola crushing capacity. A new crushing plant built in Ste. Agathe, Manitoba in 1997 went into receivership before it could start crushing operations.

Saskatchewan Wheat Pool (SWP) recently announced that it intends to sell its interest in *CanAmerna Foods*, in which it holds 33.3% ownership. SWP and Agricore United, who together have 50% ownership in *CanAmerna Foods*, have signed a binding letter of agreement with the remaining partner *Central Soya of Canada Ltd.* to make it the sole owner of *CanAmerna Foods*. The agreement is subject to regulatory approval in both Canada and the U.S., and is expected to be finalized by July 31, 2002.

Soybean crushing is concentrated in Ontario, where about 90% of Canada's total soybean production occurs. The major soybean crushing facilities are dual purpose plants owned by *ADM Agri-Industries Ltd* (Windsor) and *CanAmerna* (Hamilton) which can also be used for canola crushing. The two plants have a combined capacity of about 4,500 t/d, up slightly from 4,250 t/d 5 years ago.

Wheat Flour Milling

Wheat flour milling is the second largest primary processing industry for Canadian grains and oilseeds. Although it is often referred to as a "mature" industry, Canada's wheat milling capacity increased by 20% during the past 5 years to an estimated 12,400 t/d. In contrast to the U.S. flour milling industry which runs at about 82% of annual capacity, Canada's milling industry is running at over 90% capacity.

The majority of wheat flour milling occurs in eastern Canada, but the largest increase in milling capacity over the past 5 years has been in western Canada. Increased capacity in western Canada is due to an expansion of several existing facilities and the construction of two new

plants, specifically *Prairie Flour Mills* in Eli, Manitoba and *FarmGro Organic Food* in Regina, Saskatchewan.

Five years ago, three large milling companies accounted for about 75% of total flour milling capacity in Canada. At the time, combined capacities of the plants owned by *ADM Milling Company*, *Maple Leaf Mills*, and *Robin Hood Multifoods* were as follows: 2,998 t/d; 2,281 t/d; and 2,166 t/d, respectively. Since then, *Maple Leaf Mills* has sold all three of its flour milling plants, two of which were acquired by *ADM Milling Company*. With the acquisition of those plants in Calgary, Alberta and Port Colborne, Ontario, *ADM Milling Company* now has 42% of Canada's total wheat milling capacity.

Over 70% of Canada's wheat milling capacity is controlled by U.S. interests. Over the past 10 years, Canadian flour exports have shifted from offshore to the U.S. Flour exports to the U.S. rose sharply in the early to mid-1990s and have since risen more slowly. In the future, the volume of flour exports to the U.S. will depend in part on product mandates and inter-company transfers.

Durum Milling

Durum processing capacity includes the capacity of dual purpose facilities which can mill either wheat or durum. On that basis, the capacity of Canada's durum flour milling industry has increased by about 20% during the past 5 years, and is now estimated at 1,787 t/d. The increase is due largely to expanded capacity at the *Howson and Howson Ltd.* plant in Blyth, Ontario, and the *Robin Hood* plant in Saskatoon, Saskatchewan. These expansions more than offset the closure of the *Robin Hood Multifoods* plant in Port Colborne, Ontario which had a capacity of about 151 t/d.

Wheat Fractionation

From an environmental standpoint, wheat fractionation is aimed at increasing the supply of renewable fuels in Canada. Using the dry milling process, four plants in western Canada

turn mostly feed quality wheat and durum into ethanol and distillers grain, a by-product which is used as animal feed. Total capacity of the 4 plants is estimated at 512 t/d, more than double the capacity that existed 5 years ago.

The *API Grain Processing* plant in Red Deer, Alberta leads with capacity of about 275 t/d, followed by *Pound-Maker Agventures, Ltd* in Lanigan, Saskatchewan with 100 t/d and *Mohawk Oil, Canada, Ltd.* in Minnedosa, Manitoba with processing capacity of just under 100 t/d. *Highwood Distillers* in High River, Alberta uses about 40 t/d of wheat to produce beverage alcohol.

Corn Processing

Most of Canada's available corn supply is consumed as animal feed. The remainder, estimated at 18% of the total supply, is processed for human consumption or used for the production of fuel ethanol. Canada, on average, imports about 17% of its total corn requirements from the U.S. annually.

Since 1997-1998, corn processing capacity has increased by about 49%, to 6,440 t/d. The increase has been primarily in eastern Canada where the processing plants are concentrated.

Wet milling accounts for about 60% of Canada's total corn processing capacity, and this capacity is estimated at 4,220 t/d. The wet milling process is used primarily for the production of food products such as corn starch and corn sweeteners. The two major companies that have wet milling facilities in Canada are: *Casco Inc./ Canada Starch Operating Company Inc.* which has three plants located in Cardinal, London and Port Colborne, Ontario; and *Nacan Products Ltd.*, whose single plant is located in Collingwood, Ontario.

Canada's production of fuel ethanol and beverage alcohol is concentrated in Ontario, which is relatively close to good, reliable sources of corn. The economics of production favour the **dry milling** process, in contrast to the large U.S. plants which are able to exploit the

efficiencies of wet milling technology. Canada's dry milling capacity is estimated at 2,260 t/d, of which a small proportion is used to produce brewers grit, corn flour, and corn meal. As well, *J.R. Short Milling Company* has a facility in Toronto that produces a variety of specialty ingredients including pregelatinized corn flours, confectioners flakes, stabilized grain, and toasted bran products.

Barley Malt

Canada processes about 1.2 Mt of malting barley each year. The domestic brewing market has been relatively flat for the last few years, but it is still the single largest market for Canadian malt, accounting for about 350,000 t of malting barley processed annually. *Canada Malting Co.*, with plants in Thunder Bay, Montreal and Calgary, is Canada's largest maltster with about half of total malting capacity, followed by *Prairie Malt Ltd.* in Biggar, Saskatchewan, *Westcan Malting* in Alix, Alberta, and *Dominion Malting Ltd.* in Winnipeg, Manitoba. Canada's barley malt exports are increasing and, as a result, malting capacity has increased about 4% in the past 5 years to an estimated 3,376 t/d. Most of the expansion has been in western Canada, where over two-thirds of Canada's total malting capacity is currently located.

Oats

Most of Canada's oat processing capacity is in western Canada. That capacity increased by about 47% during the last 5 years, and is now estimated at 2,260 t/d. The bulk of the increase is attributed to an expansion at the *Can-Oat Mill* in Portage la Prairie, Manitoba which more than doubled its daily capacity to 910 t/d. With that expansion, western Canada's share of oat processing capacity increased from 69% to 80%.

Over 40% of Canada's oat processing capacity is controlled by U.S. interests. Canadian oat product (grain equivalent) exports to the U.S. increased from 22,000 t in 1991-1992 to 231,000 t in 2000-2001.

Pulse and Special Crops

The Canadian pulse and special crops processing industry is very diversified and located throughout most of Canada. Primary processing of these crops involves receiving, cleaning, and sorting according to quality. Secondary processing usually involves the preparation of product for final use by consumers, and this would normally occur at a different location from primary processing.

The largest secondary processor is the livestock feed industry, which consumes an increasing volume of dry peas, as well as some lentils, chick peas, and fababeans, mainly in the Prairie provinces. The bird seed industry uses canary seed, as well as sunflower seed, safflower seed, millet, buckwheat and dry peas in feed mixtures for pet and wild birds.

Secondary processing includes the splitting of dry peas, lentils and chick peas, and production of gluten free flour. Dry peas and beans are also processed into components such as pea fibre, flour, starch and protein concentrate. Mustard seed is processed into flour and condiments. Confectionary sunflower seeds are used for snack food, such as roasted seeds, and dehulled for use in baking. Buckwheat is milled into flour, groats and grits which are then used for baking, noodles, hot breakfast cereal or pancake mixes.

Specialty Products

The popularity of niche marketing is evident in the increased growth of specialty products. These include organic flour, cereal bran, dark rye flour, 100% whole wheat flour, spelt flour, brewers flakes, oat flour, and snack pellets. Many of those specialty items are aimed at health-conscious individuals who are willing to pay a premium for products they believe provide health benefits.

The capacity of plants involved in processing of specialty products has increased by one-third during the past

few years, and is now estimated at 396 t/d. This follows a decade when processing capacity for specialty products nearly doubled.

Some Recent and Planned Expansions in Primary Processing

There have been several expansions in wheat flour milling capacity in the past year. *Prairie Flour Mills* at Elie, Manitoba has completed a 45 t/d expansion, and *Dover Flour Mills* in Cambridge, Ontario has added 225 t/d to their daily capacity. In Alberta, *API Grain Processors, Inc.* in Red Deer and *Ellison Milling Co.* in Lethbridge have increased their combined capacity by 265 t/d.

Can-Oat Milling is expanding its oat milling operation in Portage la Prairie, Manitoba. Scheduled for completion in August 2002, the expansion will increase their finishing capacity by over 11,000 tonnes (t) annually. The company, which has another oat processing facility in Saskatoon, Saskatchewan, processes over 260,000 t of milling quality oats annually and employs 150 full-time employees at its two prairie locations.

Construction plans are being drawn up on what would be the largest special crops processing plant in western Canada. *Blue Hills Processors Ltd.* (BHPL) of Avonlea, Saskatchewan is expanding and renovating a former Saskatchewan Wheat Pool elevator to process 140,000 t of peas, lentils and chickpeas annually. BHPL will load cleaned bulk product to hopper rail cars, boxcars, containers or hopper trucks, and bagged product to rail boxcars, containers or intermodal trucks. The existing elevator system will be left intact for shipments of bulk raw product.

Louis Dreyfuss Canada is planning to spend CAN\$1.3M to add a cleaning and processing plant for chickpeas and green and yellow peas at its Wilson,

Alberta terminal. The upgrades include new cleaners to clean and size peas, extra storage for cleaned seed, and handling and bagging equipment capable of loading a container with 570 bags of product in about 20 minutes. The expansion is expected to be completed in November 2002.

Saskcan Pulse Trading Inc. is constructing a lentil splitting facility in Regina, Saskatchewan which will have an annual capacity of 75,000 t upon completion in August 2002. *Arbel Pulse Grain*, which is headquartered in Mersin, Turkey, is one of the major shareholders in this venture and was the largest importer of Canadian whole red lentils during the 2000-2001 crop year.

Canada's capacity for producing ethanol is expected to more than double, mostly as a result of major expansions in Ontario and Quebec. *Commercial Alcohols Inc.* is planning to produce 120 million litres (ML) of ethanol per year once their plant in Varennes, Quebec is completed, and an expansion of the Chatham, Ontario plant is expected to increase output by about 150 ML annually. In addition, *Seaway Grain Processors Inc.* is going ahead with plans to build a plant in Cornwall, Ontario capable of producing 66 ML of ethanol annually. *Commercial Alcohols Inc.* is believed to be exploring the possibility of building a plant in Saskatchewan, possibly in the Melville district.

Saskatchewan has become the first province in Canada to establish the legal framework to allow for mandating an ethanol blend in gasoline sold in the province. The *Ethanol Fuel Act*, which received Royal Assent in June 2002, will not come into effect until the industry has had the chance to develop adequate capacity to meet consumption needs. By way of a rebate program, the *Ethanol Fuel Act* also allows for the elimination of the provincial fuel tax on ethanol produced and consumed in

Saskatchewan.

The Manitoba Government has initiated a public consultative process regarding the expansion of production and use of ethanol in the province. In addition to seeking public input on whether all gasoline sold as vehicle fuel in Manitoba should be blended with ethanol, the province is also seeking advice on how to promote local ethanol production for the purpose of creating new jobs and business opportunities. A major benefit of expanded ethanol production is the high quality livestock feed that is a by-product of the ethanol production process.

For more information, please contact:

Stan Spak

Market Analyst

Phone: (204) 983-8467

E-mail: spaks@em.agr.ca

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524**

**Director: Maggie Liu
Chief: Fred Oleson**

Editor: Gordon MacMichael

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WHEAT FLOUR MILLING

| COMPANY | OWNERSHIP | LOCATION | PRODUCTS | CAPACITY (t/d of raw product) | |
|-----------------------|--------------------------------|--------------------|--------------|----------------------------------|---------------|
| | | | | 1997 | 2001 |
| | | | | -1998 | -2002 |
| ADM Milling | Archer Daniels Midland (USA) | Montreal, PQ | WF, WWF | 1,140 | 1,167 |
| ADM Milling | Archer Daniels Midland (USA) | Montreal, PQ | WF, WWF | 502 | 502 |
| ADM Milling | Archer Daniels Midland (USA) | Midland, ON | WF, WWF | 726 | 726 |
| ADM Milling | Archer Daniels Midland (USA) | Mississauga, ON | WF | 363 | 423 |
| ADM Milling | Archer Daniels Midland (USA) | Strathroy, ON | SWF | 113 | 106 |
| ADM Milling | Archer Daniels Midland (USA) | Winnipeg, MB | WF, SWF, WWF | 187 | 200 |
| ADM Milling | Archer Daniels Midland (USA) | Medicine Hat, AB | WF | 460 | 514 |
| ADM Milling | Archer Daniels Midland (USA) | Port Colbourne, ON | WF, SWF, WWF | 798 | 865 |
| ADM Milling | Archer Daniels Midland (USA) | Calgary, AB | WF, SWF, WWF | 792 | 956 |
| API Grain Processors | Independent (CAN) | Red Deer, AB | WF | 0 | 380 |
| Arva Flour Mills | Independent (CAN) | Arva, ON | SWF, WWF, RF | 18 | 18 |
| Ellison Milling | Parrish & Heimbecker (CAN) | Lethbridge, AB | WF, WWF, RF | 333 | 333 |
| Camrose Milling Co. | Independent (CAN) | Camrose, AB | WF | 30 | 33 |
| Cereal Foods | Cereal Food Processors (USA) | Montreal, PQ | WF, SWF, WWF | 181 | 212 |
| Dawn Foods | Dawn Foods (USA) | Saskatoon, SK | WF | 375 | 375 |
| Dawn Foods | Dawn Foods (USA) | Humboldt, SK | WF | 15 | 30 |
| Dover Mills | Dover Industries (CAN) | Halifax, NS | WF | 242 | 357 |
| Dover Mills | Dover Industries (CAN) | Cambridge, ON | WF | 333 | 628 |
| FarmGro Organic Food | Independent (CAN) | Regina, SK | WF | 0 | 73 |
| Halton Flour Milling | Independent (CAN) | Acton, ON | WF | 128 | 234 |
| Hayhoe Mills | Independent (CAN) | Woodbridge, ON | WF, SWF, WWF | 212 | 302 |
| Kraft Milling | Kraft Foods (USA) | Streetsville, ON | SWF, WF | 385 | 514 |
| New-Life Mills | Parrish & Heimbecker (CAN) | Hanover, ON | WF, SWF | 376 | 454 |
| Port Royal Mills | Independent (CAN) | Aurora, ON | WWF | 0 | 48 |
| Prairie Flour Mills | Independent (CAN) | Elie, MB | WF | 0 | 181 |
| Robin Hood Multifoods | International Multifoods (USA) | Montreal, PQ | WF | 758 | 758 |
| Robin Hood Multifoods | International Multifoods (USA) | Port Colbourne, ON | WF | 696 | 800 |
| Robin Hood Multifoods | International Multifoods (USA) | Saskatoon, SK | WF, SWF, WWF | 709 | 847 |
| Rogers Foods | Nisshin Flour Milling (Japan) | Armstrong, BC | WF, RF, WWF | 165 | 216 |
| Other | Independent (CAN) | various | various | 294 | 148 |
| Total Capacity | | | | 10,331 | 12,400 |

DURUM MILLING

| COMPANY | OWNERSHIP | LOCATION | PRODUCTS | CAPACITY (t/d of raw product) | |
|-----------------------|--------------------------------|--------------------|----------------|----------------------------------|--------------|
| | | | | 1997 | 2001 |
| | | | | -1998 | -2002 |
| ADM Milling | Archer Daniels Midland (USA) | Montreal, PQ | durum products | 285 | 285 |
| ADM Milling | Archer Daniels Midland (USA) | Port Colbourne, ON | durum products | 79 | 79 |
| Ellison Milling | Parrish & Heimbecker (CAN) | Lethbridge, AB | durum products | 235 | 235 |
| FarmGro Organic Food | Independent (CAN) | Regina, SK | durum products | 0 | 73 |
| Howson & Howson | Independent (CAN) | Blyth, ON | durum products | 272 | 363 |
| Kraft Milling | Primo Foods (USA) | Woodbridge, ON | durum products | 175 | 272 |
| Robin Hood Multifoods | International Multifoods (USA) | Saskatoon, SK | durum products | 272 | 454 |
| Robin Hood Multifoods | International Multifoods (USA) | Port Colbourne, ON | durum products | 151 | 0 |
| Other | Independent (CAN) | Various | durum products | 26 | 26 |
| Total Capacity | | | | 1,495 | 1,787 |

WHEAT FRACTIONATION

| COMPANY | OWNERSHIP | LOCATION | PRODUCTS | CAPACITY (t/d of raw product) | |
|-----------------------|-------------------|----------------|------------------|----------------------------------|------------|
| | | | | 1997 | 2001 |
| | | | | -1998 | -2002 |
| API Grain Processors | Independent (CAN) | Red Deer, AB | fuel ethanol | 0 | 275 |
| Highwood Distillers | Independent (CAN) | High River, AB | beverage alcohol | 40 | 40 |
| Mohawk Oil | Mohawk Oil (CAN) | Minnedosa, MB | fuel ethanol | 77 | 97 |
| Pound-Maker Aventures | Investments (CAN) | Lanigan, SK | fuel ethanol | 93 | 100 |
| Total Capacity | | | | 210 | 512 |

Note: (WF) wheat flour, (WWF) whole wheat flour, (SWF) soft wheat flour, (RF) rye flour

Source: Milling & Baking Annual, Bakers Journal (various issues), AAFC/Industry estimates

CORN PROCESSING

| COMPANY | OWNERSHIP | LOCATION | PRODUCTS | CAPACITY (t/d of raw product) | |
|---------------------------------|----------------------------------|--------------------|------------------------|----------------------------------|--------------|
| | | | | 1997 | 2001 |
| | | | | -1998 | -2002 |
| Casco Inc. | Corn Products Int'l Inc (USA) | London, ON | corn starch, sweetners | 1,145 | 1,600 |
| Casco Inc. | Corn Products Int'l Inc (USA) | Port Colbourne, ON | corn starch, sweetners | 660 | 1,000 |
| Casco Inc. | Corn Products Int'l Inc (USA) | Cardinal, ON | corn starch, sweetners | 1,195 | 1,250 |
| Subtotal | | | | 3,000 | 3,850 |
| Alberta Distillers | Jim Beam Brands Inc (USA) | Calgary, AB | beverage alcohol | 180 | 90 |
| Canadian Mist Distillers | Brown Foreman (USA) | Collingwood, ON | beverage alcohol | 105 | 105 |
| Commercial Alcohols | Independent (CAN) | Tiverton, ON | fuel ethanol | 150 | 150 |
| Commercial Alcohols | Independent (CAN) | Chatham, ON | fuel ethanol | 0 | 990 |
| Hiram Walker | Allied Domecq Spirit & Wine (UK) | Windsor, ON | beverage alcohol | 70 | 300 |
| King Milling | Lauhoff (Swiss) | Chatham, ON | BG, CF, CM | 105 | 115 |
| Nacan | National Starch (USA) | Collingwood, ON | corn starch | 255 | 255 |
| Schenley Distilling Inc. | Constellation Co. (USA) | Valleyfield, PQ | beverage alcohol | 140 | 230 |
| Seagrams | Diageo (UK) | Gimli, MB | beverage alcohol | 200 | 215 |
| The Black Velvet Distilling Co. | Constellation Co. (USA) | Lethbridge, AB | beverage alcohol | 130 | 140 |
| Total Capacity | | | | 4,335 | 6,440 |

MALTING INDUSTRY

| COMPANY | OWNERSHIP | LOCATION | PRODUCTS | CAPACITY (t/d of raw product) | |
|-----------------------|--------------------------------|-----------------|-------------|----------------------------------|--------------|
| | | | | 1997 | 2001 |
| | | | | -1998 | -2002 |
| Canada Malting | Tiger Oats (South Africa) | Montreal, PQ | barley malt | 300 | 292 |
| Canada Malting | Tiger Oats (South Africa) | Thunder Bay, ON | barley malt | 520 | 475 |
| Canada Malting | Tiger Oats (South Africa) | Calgary, AB | barley malt | 875 | 950 |
| Dominion Malting | Sumitomo (Japan) and IMC (USA) | Winnipeg, MB | barley malt | 340 | 314 |
| Gambrinus Malting | Independent (CAN) | Armstrong, BC | barley malt | 19 | 30 |
| Prairie Malt | SWP and Cargill (CAN, USA) | Biggar, SK | barley malt | 840 | 804 |
| Westcan Malting | Rahr Malting (USA) | Alix, AB | barley malt | 355 | 511 |
| Total Capacity | | | | 3,249 | 3,376 |

OAT PROCESSING

| COMPANY | OWNERSHIP | LOCATION | PRODUCTS | CAPACITY (t/d of raw product) | |
|------------------------|---------------------------------|------------------------|-------------------------|----------------------------------|--------------|
| | | | | 1997 | 2001 |
| | | | | -1998 | -2002 |
| ADM Milling | Archer Daniels Midland (USA) | Midland, ON | oat flour, oat products | 132 | 165 |
| Alberta Oats Ltd | Independent (CAN) | Edmonton, AB | oat products | 331 | 331 |
| Can-Oat Milling | SWP (CAN) | Portage la Prairie, MB | oat flour, oat products | 413 | 910 |
| Emerson Milling | Independent (CAN) | Emerson, MB | oat flour, oat products | 62 | 100 |
| Popowich Milling | Grain Millers (USA) | Yorkton, SK | oat flour, oat products | 95 | 250 |
| Quaker Oats | Quaker Oats (USA) | Peterborough, ON | oat flour, oat products | 165 | 165 |
| Robin Hood Multifooods | International Multifooods (USA) | Port Colbourne, ON | oat flour | 124 | 124 |
| Robin Hood Multifooods | International Multifooods (USA) | Saskatoon, SK | oat flour | 124 | 124 |
| Westglen Milling | ConAgra (USA) | Barrhead, AB | oat flour, oat products | 91 | 91 |
| Total Capacity | | | | 1,537 | 2,260 |

OILSEED CRUSHING

| COMPANY | OWNERSHIP | LOCATION | PRODUCTS | CAPACITY (t/d of raw product) | |
|------------------------|------------------------------|-----------------------|---------------------------|----------------------------------|---------------|
| | | | | 1997 | 2001 |
| | | | | -1998 | -2002 |
| ADM Milling | Archer Daniels Midland (USA) | Windsor, ON | canola & soybean products | 3,600 | n/a |
| ADM Milling | Archer Daniels Midland (USA) | Lloydminster, AB | canola products | 2,000 | n/a |
| CanAmera Foods | Central Soya Canada (USA) | Altona, MB | canola & flax products | 1,000 | n/a |
| CanAmera Foods | Central Soya Canada (USA) | Nipawin, SK | canola products | 1,000 | n/a |
| CanAmera Foods | Central Soya Canada (USA) | Fort Saskatchewan, AB | canola products | 700 | n/a |
| CanAmera Foods | Central Soya Canada (USA) | Hamilton, ON | canola products | 3,000 | n/a |
| CanAmera Foods | Central Soya Canada (USA) | Harrowby, MB | canola products | 1,400 | n/a |
| Canbra Foods | Independent (CAN) | Lethbridge, AB | canola products | 975 | n/a |
| Cargill | Cargill (USA) | Clavet, SK | canola products | 2,000 | n/a |
| Cold Springs Farm Ltd. | Employees (CAN) | Thamesford, ON | soybean products | 100 | n/a |
| Helin Oils | Independent (CAN) | Whitby, ON | soybean products | 250 | n/a |
| Jackson Seed Services | Independent (CAN) | Dresden, ON | soybean products | 40 | n/a |
| Northern Lite Canola | Canadian Agra (CAN) | Sexsmith, AB | canola products | 700 | * |
| Sunfield Oilseeds | Independent (CAN) | Wingham, ON | soybean products | 100 | n/a |
| Total Capacity | | | | 16,865 | 16,500 |

Note: (BG) brewers grit, (CF) corn flour, (CM) corn meal, (SWP) Saskatchewan Wheat Pool

* plant closed

Source: Milling & Baking Annual, Bakers Journal (various issues), AAFC/Industry estimates

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday July 15, 2002

| PRAIRIE GRAINS | | | | | | |
|----------------------|--------------------------|--------|-----------|----------|------------|----------|
| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
| From: Thunder Bay 2 | In-Store | WHEAT | 187.40 | 185.50 | 184.50 | 140.00 |
| CBOT | | OATS | N/A | N/A | N/A | 144.86 |
| LETHBRIDGE | | BARLEY | 173.20 | 172.00 | 157.30 | 155.00 |
| To: Bayports, Ont. | In-store | WHEAT | 210.50 | 208.60 | 1. 207.60 | 163.10 |
| | | OATS | N/A | N/A | 1. N/A | N/A |
| | | BARLEY | 200.35 | 199.15 | 1. 184.45 | 182.15 |
| Montreal, Que. | In-store | WHEAT | 215.25 | 213.35 | 1. 212.35 | 167.85 |
| | | OATS | N/A | N/A | 1. N/A | N/A |
| | | BARLEY | 205.47 | 204.27 | 1. 189.57 | 187.27 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 237.72 | 235.82 | 234.82 | 190.32 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 231.83 | 230.63 | 215.93 | 213.63 |
| Truro, N.S. | Truck via Halifax | WHEAT | 235.22 | 233.32 | 232.32 | 187.82 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 226.95 | 225.75 | 211.05 | 208.75 |
| Halifax, N.S. | In-store | WHEAT | 222.55 | 220.65 | 1. 219.65 | 175.15 |
| | | OATS | N/A | N/A | 1.0 N/A | N/A |
| | | BARLEY | 213.27 | 212.07 | 1.0 197.37 | 195.07 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 282.33 | 280.43 | 279.43 | 234.93 |
| | | OATS | N/A | N/A | N/A | 251.06 |
| | | BARLEY | 280.34 | 279.14 | 264.44 | 262.14 |
| From: Melfort, Sask. | FOB | WHEAT | N/A | N/A | N/A | 155.50 |
| | | OATS | N/A | N/A | N/A | 127.96 |
| | | BARLEY | N/A | N/A | N/A | 144.70 |
| To: Bayports, Ont. | Track | WHEAT | N/A | N/A | N/A | 211.62 |
| | | OATS | N/A | N/A | N/A | 186.83 |
| | | BARLEY | N/A | N/A | N/A | 198.09 |
| Montreal, Que. | Track | WHEAT | N/A | N/A | N/A | 212.37 |
| | | OATS | N/A | N/A | N/A | 187.73 |
| | | BARLEY | N/A | N/A | N/A | 198.91 |
| Moncton, N.B. | Track | WHEAT | N/A | N/A | N/A | 233.55 |
| | | OATS | N/A | N/A | N/A | 211.07 |
| | | BARLEY | N/A | N/A | N/A | 211.02 |
| Truro, N.S. | Track | WHEAT | N/A | N/A | N/A | 233.72 |
| | | OATS | N/A | N/A | N/A | 212.04 |
| | | BARLEY | N/A | N/A | N/A | 224.64 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | N/A | N/A | N/A | 277.06 |
| | | OATS | N/A | N/A | N/A | 259.42 |
| | | BARLEY | N/A | N/A | N/A | 272.93 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|------------|----------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 140.06 | 146.08 | 136.84 | 135.89 |
| To: Montreal, Que. (US Corn) | In-store | | 158.96 | 164.98 | 1.0 155.74 | 154.79 |
| From: Chicago (Mi) | Track | | 137.05 | 144.88 | 135.62 | 126.80 |
| To: Montreal, Que. (US Corn) | Track | | 166.08 | 173.91 | 164.65 | 154.34 |
| From: Chatham | Track | | 148.61 | 152.94 | 141.43 | 129.62 |
| To: Montreal, Que. | Track | | 171.99 | 176.32 | 164.81 | 152.51 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|----------------------|--------------------------|--|--------|--------|--------|--------|
| From: Hamilton, Ont. | | | 338.96 | 337.41 | 309.42 | 339.40 |
| To: Montreal, Que. | Track | | 363.38 | 361.83 | 333.84 | 361.87 |
| Moncton, N.B. | Track | | 386.59 | 385.04 | 357.05 | 379.18 |
| Truro, N.S. | Track | | 385.42 | 383.87 | 355.88 | 382.15 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 434.22 | 432.67 | 404.68 | 431.41 |

1. Prices include ONE month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

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QUALITY AND SAFETY IN CANADA'S GRAINS AND OILSEEDS SECTOR

Concerns related to the quality and safety of commodities for human consumption have risen dramatically in recent years. Food safety incidents in other countries have increased consumer awareness about how food is produced, how it is stored, and how it is processed. The grains and oilseeds sector of Canada has been producing high-quality commodities for decades, and during this time, the monitoring of quality and safety has increased in importance. This issue of the *Bi-weekly Bulletin* examines the measures in place that the grains and oilseeds sector utilizes to maintain the quality and safety of the commodities that Canada markets.

Introduction

Canada has maintained an enviable reputation for supplying domestic and world markets with safe, high-quality grain. Underlying this reputation is Canada's use of grain varieties that produce superior food products and a regulatory system by which quality and safety are assured on a consistent basis. Since passing the *Canada Grain Act* in 1912, Canada has had a quality assurance system administered by a regulatory agency, originally the Board of Grain Commissioners, now known as the Canadian Grain Commission (CGC). Through quality and safety testing procedures, the CGC assures the quality of grains while at the same time 'branding' Canada with a globally recognized certificate of assurance. In a time of increased global concerns about the quality and safety of consumer goods, the Canadian grains and oilseeds sector has managed to preserve its reputation by this close monitoring of the commodities and products it markets.

Agriculture and Agri-food Canada (AAFC) has also made quality and safety of agricultural products a top priority. In its new **Agricultural Policy Framework (APF)**, in partnership with the provinces, territories and industry, the Government of Canada has identified food quality and safety assurance as one of the APF's five priority pillars. Through an open dialogue with its partners, the federal government's goal under the APF food safety pillar is to maintain, enhance and, where necessary,

facilitate the development of systems that will ensure Canada remains the supplier of choice for safe, high-quality agricultural products.

Awareness of food safety issues has been raised by incidents encountered in other countries. Such incidents have made consumers more cautious about what they eat and how their food is produced. While quality assurance in the Canadian grains and oilseeds sector has always included a safety aspect, testing by the CGC has evolved and now includes monitoring for many substances or contaminants that may be unhealthy for human consumption or animal feed. In this respect, the CGC responds to global market signals that have become

more significant in light of food safety concerns and consumer awareness.

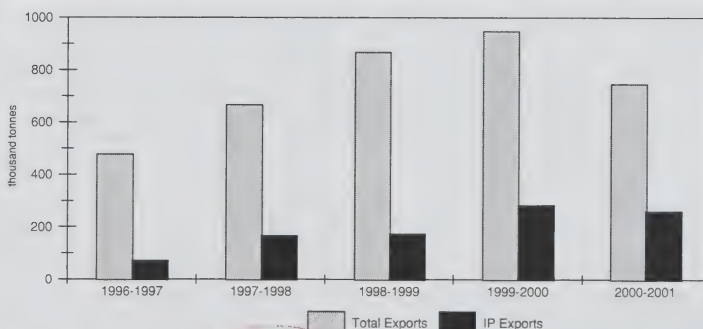
This article examines the Canadian system for quality and safety assurance of grains and oilseeds. Mechanisms such as Identity Preservation (IP) and closed-loop systems are also analyzed in the context of Canada's grain handling and transportation system.

DEFINING THE MECHANISMS

Kernel Visual Distinguishability

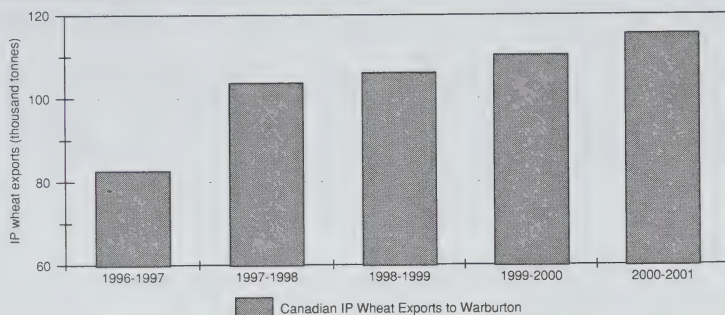
Most grains with different end-use characteristics are currently classified based on visual inspection. In wheat this is done using Kernel Visual Distinguishability (KVD). Through the application of KVD at the

CANADA: SOYBEAN IDENTITY PRESERVATION GROWTH



Source: Canadian Soybean Export Association, July 2002

WARBURTONS: CANADIAN IDENTITY PRESERVATION WHEAT GROWTH



Source: Canadian Grain Commission, Canadian Wheat Board, July 2002

breeding stage, each of the seven main wheat classes in Canada has a combination of seed-coat colour and physical kernel shapes and sizes that are distinctive. This allows elevator managers and CGC inspectors to distinguish the class, and consequently, based on a set of grade standards, establish a grade for the grain shipment. Furthermore, each class of wheat has specific end-use quality characteristics. For example, Canadian Western Red Spring (CWRS) is a high-protein, strong gluten, high-quality milling wheat ideal for bread-making. Canada Prairie Spring White Wheat (CPSW), which has lower protein and gluten levels than CWRS, is more suited for the production of Asian noodles, while Canada Western Amber Durum Wheat (CWAD) has characteristics suited for high-quality pasta¹.

Increasingly there are grains that are not visually distinguishable, with different end-use characteristics. Because the Canadian grain handling and transportation system (GHTS) is a bulk system, in which commodities share the same handling infrastructure, there are points in the system where co-mingling of non-visually distinguishable grains with different quality characteristics can occur. Theoretically this could happen on-farm, at the grain elevator, during the loading of hopper cars, at the terminal, or during the loading of a laker or sea-going vessel. To prevent or limit co-mingling, mechanisms such as IP and closed-loop systems have been put in place.

Identity Preservation

Although IP is a relatively easy concept to understand, it is difficult to define. In addition, there are the related concepts of traceability, and closed-loop systems. According to Stuart Smyth of the Department of Agricultural Economics at the University of Saskatchewan, many of the stakeholders involved in the study or implementation of these mechanisms tend to use these terms

interchangeably, creating confusion. Smyth refers to IP as identity preserved production and marketing (IPPM), defined as a premium-based, voluntary system developed by industry as a method to capture the value associated with a specialized commodity. In this system, arrangements are made to ensure that a particular crop is monitored throughout its production and processing chain to ensure its quality integrity. The underlying rationale is to facilitate the niche marketing of products, for example, variety-specific high quality wheat grown in the Canadian prairies for use by the Warburtons Family Bakers in the United Kingdom(UK), or soybeans from Ontario sold into the Japanese tofu market.

Traceability

Smyth defines traceability as a liability management tool used by industry to inform consumers about their products. In essence, this is the ability to trace the path followed by a commodity from seed to shelf by means of comprehensive records². This definition is similar to the one proposed by the Codex Alimentarius Commission, an international organization that coordinates global food standards. The definition put forth by the Codex Alimentarius Commission states that "traceability is the ability to trace the history, application or location of an entity by means of recorded identifications." This approach, while not common in the grains and oilseeds sector, is extensively used as a marketing tool for livestock products.

Closed-Loop Systems

Regulated closed-loop systems are required to manage varieties subject to contract registration under the Canada Seeds Act. These are varieties with biochemical or biophysical characteristics different from the majority of the registered varieties of the same class or crop type and therefore have the potential to cause harm if they enter the traditional GHTS. Consequently, there must be an assurance of an appropriate level of

quality control to ensure that varieties subject to contract registration are not "leaked" into the bulk GHTS³. An example is high erucic acid rapeseed which is used for non-food products, but is visually indistinguishable from canola which is used to produce an edible oil.

In summary, IP and closed-loop systems are mechanisms in the grains and oilseeds sector that are used to minimize or eliminate the risk of commodity contamination and undesirable co-mingling. Depending on the commodity, the need for these two mechanisms may stem from quality assurance - the need to maintain the integrity of the commodity as specified by the end-user, or safety - the need to keep commodities free from contaminants that may harm human and/or animal health.

QUALITY ASSURANCE

Quality assurance in Canada's grain industry is a two-step process. First, a new variety of grain or oilseed must go through three years of rigorous testing to establish that it is at least substantially equivalent to other benchmark varieties in terms of agronomic performance, quality and disease resistance. After completion of this step, the Variety Registration Office (VRO) of the Canadian Food Inspection Agency (CFIA) determines whether to grant approval to the new variety for commercial release. The VRO's decision is based on the recommendation of an evaluating committee such as the Prairie Registration Recommending Committee for Grains. Therefore, once producers begin planting grains and oilseeds, a certain level of quality assurance is already 'built' into the crop through the varietal registration system. The second step is the regulated grading system administered by the CGC under the *Canada Grain Act*.

Grades of grains, oilseeds, pulses and special crops are set out in schedules of the Canada Grain Regulations. As explained above, wheat classes are segregated on the basis of KVD. Each class or type of grain is further segregated by grade based on factors such as presence of foreign material or disease, degree of soundness (or freedom from damaged kernels), moisture, protein levels and colour. For example, there are three milling grades that are assigned to CWRS eligible varieties. Producer deliveries of CWRS graded No.1, No.2, or No.3, the top three grades in descending order, will be marketed for human consumption, whereas any delivery with factors that lower the grade of a wheat delivery below No.3 will likely end up being marketed as animal feed.

One drawback of the KVD criterion is that it makes the development of new varieties more difficult. Although KVD helps maintain the consistency and quality of Canadian wheat, a new variety with the same kernel characteristics as one of the seven main classes must have the same end-use qualities of the class it resembles in order to be registered.

According to former CGC research scientist Phil Williams, the determination of quality in grains and oilseeds changes depending on the focus: nutrition, processing, or marketing. Factors governing nutrition are chemical composition, flavour, texture, toxicities, and infestation. Those factors governing processing are physical condition, chemical composition, physical and chemical properties, foreign materials, infestation, and financial aspects. Marketing factors are appearance, physical condition, chemical composition, infestation, foreign materials, price, and assurance of delivery. All of these criteria are taken into account when grade standards are established by the CGC in consultation with the grain industry.

Processing, marketing, and nutritional requirements within a quality assurance system each define quality differently. Processors, such as flour mills, oilseed crushers and maltsters, measure deficiency in quality as anything that detracts from 100% utilization of the grain they have purchased. If a processor receives a commodity that contains degrading factors such as foreign materials, broken or weather-damaged kernels or seeds, high moisture levels or disease, undesirable oil or protein levels, quality is judged as poor and financial repercussions, for the grain company, producer, and processor ensue. Marketers judge quality by appearance, physical condition, and certain quality tests. Again, physical damage, moisture levels, oil and protein content are relevant in influencing end-use quality and hence price. If moisture, oil, and protein are not at the optimum levels needed for successful processing, the grain or oilseed will be down-graded and may be discounted for alternative markets, such as feed⁴. Finally, attention to quality and safety along the supply chain will help to maintain the nutritional integrity of grains and oilseeds, including the level of minerals and vitamins.

The IP system developed by Warburtons' is a good example of the response to more sophisticated demands for quality assurance and safety of Canadian grains. This British bakery has explicit demands for high-quality milling wheat, and some areas of the Canadian prairies are better suited than others to produce that quality. Fusarium head blight (FHB) is a fungal disease that

can affect wheat quality. Fusarium graminearum is a species of FHB, that can have an impact on yield and quality and can produce several different mycotoxins that may affect a parcel's fitness for consumption by humans, and to a lesser extent, animals. For many grains, the CGC has incorporated tolerance limits for Fusarium damaged kernels (FDK) into the grading system in order to limit the maximum levels of FHB-affected grain and mycotoxins that may be present in commercial shipments. High levels of FDK in a producer delivery of wheat will lower the grade thereby limiting the marketability of FHB-affected wheat to customers who demand high-quality. For reasons of quality assurance, Warburtons has been purchasing wheat specifically from the areas of Manitoba, Saskatchewan, and Alberta where FHB is less prevalent. In addition to specifying areas of cultivation for their wheat, Warburtons demands that tests be carried out for deoxynivalenol (DON) using an enzyme-linked immuno-sorbent assay (ELISA) based test to ensure that the concentration of this mycotoxin is within strict European Union (EU) guidelines⁵. Furthermore, the Warburtons IP approach requires that the CGC conduct electrophoresis tests on the wheat purchased at several cargo transferring points to ensure that varieties are those in the contract specifications. Tests such as these act as a verification that the IP system's integrity is maintained from the farm to the end-user.

FOOD AND FEED SAFETY

Today, the need for safety testing is much more important and the means by which these tests are carried out are much more sophisticated than in 1965 when the CGC first began to test for pesticide residues in Canadian grain. Some of the factors that account for this development are:

- consumers are much more aware of food safety issues;
- governments and organizations, such as the Codex Alimentarius Commission, are more vigilant in the setting and harmonization of safety standards;
- grain processors and importers are highly demanding with respect to grain safety assurance;
- specifications on grain safety matters in grain sales contracts are more common and meeting these specifications is more difficult;
- buyers of Canadian grain are routinely demanding inspection/testing of shipments for toxic substances, safety-related information, and official assurances on safety matters from a recognized government authority;
- diseases such as FHB and its mold byproducts, mycotoxins, have become more prevalent;

- pesticide use has increased and scientific methods by which to detect and analyze grains and oilseeds for anomalies have evolved⁵.

CGC's Safety Assurance Program

The CGC's safety assurance program monitors export cargos and crop samples for a wide range of toxic substances or contaminants, including pesticide residues, mycotoxins, radionuclides, toxigenic fungi, bacterial contaminants, foreign materials, heavy metals, and noxious weed seeds.

There are five major aspects of CGC safety assurance:

1. To prevent contamination, the CGC scrutinizes potential entry routes of poisonous substances into grains and oilseeds and recommends appropriate regulations. This may include analyzing crop-related diseases, monitoring new agricultural practices, and participating in the review process for proposed new pesticides.
2. The CGC identifies and controls suspect grain shipments. The Grain Research Laboratory (GRL) provides an analytical service for the testing of suspect grains which assists grain inspectors in keeping contaminated grain out of food and export channels. These grains are segregated until chemical tests determine an appropriate disposition.
3. The CGC monitors export shipments for grain safety. Extensive monitoring of Canadian grains for toxic substances, such as pesticide residues, mycotoxins, and trace elements, is currently focused on selected vessel loadings. The CGC will also analyze new crops to determine the presence of undesirable substances and the extent and source of contamination.
4. The fourth aspect of the CGC program is research and development. The CGC is developing improved methods to detect toxic substances in grain. For example, they are studying the relationship between mycotoxin development and storage and processing conditions, and also analyzing the relationship between the presence of toxic substances and relevant degrading factors.
5. The final aspect of the CGC program for grain safety assurance is market support and technical assistance. The CGC provides scientific advice and technical assistance on grain safety matters to marketers, processors, and importers for dealing with consumer demands in this area. This includes reviewing grain safety specifications outlined in tenders and sales contracts, issuing official statements of assurance on safety related matters, and providing analytical testing services to further sales⁶.

While grain safety assurance is an essential component in a comprehensive approach to grain quality assurance, the CGC does not regulate grains and oilseeds. The responsibility for safety and risk assessment related to food and contamination rests with Health Canada and the CFIA. Health Canada assesses for unconfined release: commodities that have never been used in food; foods that are the result of a process that has not previously been used to produce foods; and foods that have been modified by genetic manipulation. Concurrently, the CFIA is responsible for the establishment and maintenance of policy directives to prevent the introduction and spread of regulated quarantine pests of grains and oilseeds into Canada. According to the CGC's Grain Safety Program Manager, Tom Nowicki, information related to grains and oilseeds is commonly shared between the CGC and Health Canada.

The grain safety assurance activities of the CGC are a result of the combination of the Commission's responsibility for quality assurance of Canadian grains and market issues. The goals of these activities are to ensure that grain is fit for consumption and that the marketability of Canada's grain is not jeopardized by food safety issues. Ultimately, the CGC ensures that Canada's export shipments will be able to meet the safety standards of its grain customers. The CGC's safety testing services in the grains and oilseeds sector are neither mandatory, nor comprehensive, but simply a customer service to which fees apply. This is a service which has become progressively more complex. Tom Nowicki states that there are 200 different pesticides tested for and 25 methods by which to test for their residues. Add to that the methods required to test for mycotoxins and trace elements, and it is clear that testing can become an expensive, time-consuming activity⁵.

The criteria outlined for grain quality and the discussion surrounding FHB and mycotoxins, indicates an overlap in testing for quality assurance and testing for food safety. Testing for FHB and foreign materials, for example, is a quality concern because their presence will negatively affect the processing of the grain. However, testing for mycotoxins, which are derived from FHB,

is a safety issue because they will taint food and feed products. This overlap allows the CGC to monitor for some quality and safety issues simultaneously, thereby reducing costs. With the increasing demands by consumers for information pertaining to the products and commodities they purchase, increased safety testing may become a requirement for both domestic and foreign sales of grains and oilseeds.

CONCLUSION

As this discussion has shown, IP, closed-loop systems, and segregation approaches, such as KVD, are important tools in the GHTS. While they aid in the efficient marketing of grain, they also allow the capture of premiums related to quality. These systems have served the Canadian grains and oilseeds industry well and provide a good basis for the system of the future. The changing marketplace, however, demands that more be done. Not only do we need to expand and improve existing systems, but we may also need to add traceability as a working component in the system as more consumers insist on it.

Advances in technology are being pursued through the Automated Quality Testing (AQT) project and will provide more sophisticated techniques for identification and safety testing purposes. The potential advantages that expanded safety testing would provide the entire supply chain, and the development of more varieties that cannot be managed with visual segregation suggest that it may be time to reassess the regulations in the grains and oilseeds sector. It should be asked whether the CGC's grain safety monitoring is sufficient to meet increased consumer demand for food safety assurances. It should be asked whether the benefits of registering non-visually distinguishable varieties outweigh the additional costs of keeping them separate. It should be asked whether non-visual segregation systems are a practical replacement to the KVD approach. Such reassessment may present another opportunity for a government and industry partnership to re-engineer the GHTS for the new millennium. Indeed, such reassessment may be necessary to preserve Canada's advantage in a highly competitive market.

**For more information,
please contact**

**Grain Policy Division,
Marketing Policy Directorate,
Strategic Policy Branch**

**Darrell Gumieny
Policy Economist
Phone: (204) 983-0575
E-mail: gumieny@agr.gc.ca
or
Jürgen Kohler
Grain Transportation Analyst
Phone: (204) 983-0574
E-mail: kohlerj@agr.gc.ca**

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Marketing Policy Directorate,
Strategic Policy Branch,
Agriculture and Agri-Food Canada,
500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524**

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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¹ Agriculture Agri-Food Canada (AAFC). 2002. "Canadian Wheat Classes" in *Bi-weekly Bulletin*, April 26, 2002, Volume 15 Number 7.

² Stuart Smyth. 2002. "The battle between GM crops and public, private and collective interests: Defining and documenting the costs and benefits of identity preservation, segregation and traceability." University of Saskatchewan.

³ Laura Anderson. May 23rd 2002. "Article Review" interview with Canadian Grain Commission Analyst.

⁴ Phil Williams. 1998. "Varietal development and quality control of wheat in Canada." <http://www.cgc.ca/Cdngrain/VarietyDev/variety2-e.htm>

⁵ Tom Nowicki. May 27th 2002. "Article Review" interview with Canadian Grain Commission Scientist.

⁶ Tom Nowicki. 2002. "Canadian Grain Commission Program for Safety Assurance of Canadian Grain."

| GRAIN SAFETY TESTING (PESTICIDE RESIDUES, MYCOTOXINS, AND TRACE ELEMENTS) | |
|---|---|
| NAME OF TEST | DESCRIPTION OF PARAMETER TESTED |
| Mycotoxin Cargo inspection/testing | Chemical tests are applied for vomitoxin, ochratoxin A, aflatoxins and citrinin and using methods of analysis based on ELISA ¹ technology |
| Organochlorines, Organophosphates and Organonitrogens | A gas chromatography-mass selective detector method is used to test for the presence of a wide variety of common pesticides. |
| Fusarium Trichothecene Mycotoxins | A gas chromatography-mass selective detector method is used to test for the toxic by-products of <i>Fusarium</i> . |
| Ochratoxin A, Zearalenone and Aflatoxins | A method based on use of liquid chromatography with fluorescence detection is used to test for trace levels of these mycotoxins. |
| Aluminum Phosphide/Phosphine | A gas chromatography-flame photometric method is used to test for residual phosphine and unreacted aluminum phosphide. |
| Glyphosate | A liquid chromatography method using fluorescence detection and sequential post-column oxidation and derivatization is used to test for the presence of glyphosate and its major metabolite AMPA ² . |
| Trace Element Testing | Low levels of heavy metals and other trace elements are measured using a combination of microwave digestion and atomic absorption spectrometry with either graphite furnace or flame technologies. |
| ¹ ELISA - Enzyme-linked Immunosorbent Assay ² AMPA - Amino methyl phosphonic acid Source: Canadian International Grains Institute, <i>Grains and Oilseeds: Handling, Marketing, Processing</i> 4 th edition, 1993 | |

CANADA: IDENTITY PRESERVATION PROJECTS

Canadian Soybean Export Association

In eastern Canada, the Ontario Soybean Industry has been operating IP programs for more than twenty years. Canadian soybean exporters are currently world leaders in developing an IP marketing chain which ensures traceability of product from end-user back to the producer. As a result of developing IP marketing, Canada has been able to increase exports of non-genetically modified (GM) soybeans into Europe by ensuring that GM and non-GM varieties are kept separate. This is done using a strip test, ELISA and Polymerase Chain Reaction methods. Exports of IP soybeans as a proportion of total soybean exports have increased since 1996, when approximately 15% of all soybeans exported were identity preserved. In five years that proportion had increased to 35%.

More recently, this industry introduced their Approved Identity Preservation Standard, which is a minimum guideline that outlines IP procedures for each step of production, from growing to processing. The program emphasizes good farming and handling practices and extensive documentation for each step of the production and processing stages. It involves using certified seed, clean operating equipment, approved isolation distances, second or third party inspections, and as stated, very thorough process documentation.

Warburtons

In western Canada, Warburtons of the UK has been working with the Canadian Wheat Board to contract for specific wheat varieties with Canadian farmers since 1996. Participating grain companies include Agricore and Paterson Grain which handle approximately 200,000 tonnes annually. In order to operate this program, Warburtons pays a price premium to the Canadian Wheat Board and, through the grain handling companies, directly to the farmers involved. Warburtons currently uses up to four varieties, which it contracts by variety, farmer, and car lot. Following harvest, farmers submit a two kilogram sample to Warburtons in Brandon, Manitoba. This sample is inspected to ensure that it meets certain quality specifications. As grain is called forward to be shipped another sample is taken at the elevator as the car is loaded. This sample is retained by Warburtons in Brandon until the cargo is received and unloaded in England. Tests are conducted on cargo loading samples by the Canadian Grain Commission (CGC) and on cargo unloading samples by Warburtons in the UK to verify varietal purity.

Canadian Seed Institute

In order to further develop a quality assurance program for identity-preserved crops of the grains, oilseeds, pulses and special crops sector, the Canadian Seed Institute (CSI) is working in partnership with the CGC to develop a National IP Recognition System. The partnership draws upon the expertise of the CSI in standard development, conformity assessment, and service delivery through accreditation systems, and the international reputation of the CGC as a credible and trusted organization with a mandate for grain quality certification.

Canadian Grain Commission

The project allows the CGC to respond to the evolution of the industry into two parallel streams: the commodity stream, which deals with bulk lower-valued product, and the value-added stream, which deals with high quality, high value product. The objective of the project is to develop a voluntary audit and certification program for IP systems operating in the value-added stream. It is expected that the program will help producers, handlers, and marketers who have implemented IP systems by providing buyers with a greater level of assurance that these systems will deliver the specific quality characteristics they demand. A national IP standard and recognition system will contribute to the "branding" of Canada's specialized, high quality grain, oilseed, pulse and special crops products. The program involves industry consultations, a pilot project, and the development of IP standards and audit systems.

WHEAT MULTI-USE QUALITY TESTS

| NAME OF TEST | DESCRIPTION OF PARAMETER TESTED |
|--|--|
| Alveograph, Extensigraph, Mixograph, Farinograph | These measure dough strength. Dough that is either too weak, or too strong is not good for baking. |
| Amylograph | This measures the content of alpha-amylases. Amylases are required for baking at a given level, the desired quantity varies according to other characteristics of the wheat. |
| Ash | This provides a measure of flour purity, and milling efficiency. Wheat with a lower ash content results in a higher flour quality with improved yield. |
| Baking Test | Dough is baked into a loaf of bread. This directly measures the quality of the dough for baking, in terms of colour, loaf rise, and water absorption. |
| Varietal Identification (Biochemical) | This provides a chemical identification of the wheat variety. Wheat varieties tend to have unique quality traits. This can be an important quality factor if wheat with certain characteristics is desired. |
| Colour | The colour of the wheat (and quantity of bran) is measured through the amount of light reflected off a flour-water paste. The colour of the wheat is closely related to how much flour it yields. |
| Falling Number | This tests for sprout damage by measuring the speed with which a plunger falls through a slurry of ground wheat. In general, higher numbers mean less sprout damage, which leads to better baking qualities. |
| Gassing Power | The measure of how much carbon dioxide is produced by bread dough. A sufficient level of gassing power is required for bread to rise, and otherwise bake well. |
| Hardness Index | A measure of the hardness of the wheat. Harder wheat is both more easily milled, and yields higher quality flour. |
| Maltose Value | The number of milligrams of maltose produced from 10 g of flour. Maltose contributes to gassing power, and is essential for good baking quality. |
| Gluten Index, Wet Gluten Content | A measurement of the gluten content. Higher gluten content generally indicates stronger dough, and in many cases, better baking characteristics. |
| Moisture | The moisture content is measured using a variety of processes. A proper level of moisture is important to avoid spoilage during storage and to improve performance during milling. |
| NIT Oil, NIT Protein | Near Infra-red is a testing method that can test wheat and oilseeds for many quality parameters. It is often used to test oil and protein content. |
| Particle Size Index | Particle size index is a test that gives an indication of gassing power and water absorption, which are both desirable for high quality bakery flour. |
| Protein Combustion | A sample is burned to test the protein content. Higher protein content leads to better loaf volume, and better baking qualities. |
| Starch Damage Determination | Starch damage is fracturing or cracking of starch granules during the milling process. Starch damage must fall within a range (dependent upon the protein content of the wheat) to be suitable for bread making. |
| Starch Determination | The form in which plants store sugar, the starch content is essential to determine the quality of wheat for bread making and milling. |
| Weight per 1000 kernel | A measure of potential flour production. The higher the 1000-kernel weight is, the greater the flour yield. |
| Yellow Pigment (durum) | This test determines the yellow pigment content in ground durum or semolina using alcohol extraction. |

OILSEEDS SPECIFIC QUALITY TESTS

| NAME OF TEST | DESCRIPTION OF PARAMETER TESTED |
|------------------------|---|
| Oil Content | This test can be done either through extracting the oil or through a nuclear magnetic resonance spectroscopy analysis. It determines how much oil is in each seed. |
| Fatty Acid Composition | Fatty acids are the constituents of vegetable oil. Some fatty acids are "healthier" than others. |
| Chlorophyll Content | This measures the green colour of a seed or oil. It is generally undesirable due to the appearance, and processed out. The higher the chlorophyll content, the poorer the quality of the oil. |

Source: Canadian International Grains Institute, *Grains and Oilseeds: Handling, Marketing, Processing* 4th edition, 1993



CANADA: GRAINS AND OILSEEDS OUTLOOK

July 31, 2002

Total production of grains and oilseeds in Canada is forecast by AAFC to decrease to 50.6 million tonnes (Mt), from 50.9 Mt in 2001-02 vs. the 10-year average of 59.7 Mt, based on Statistics Canada's (STC) June 28 area seeded estimates. Due to a continuation of drought in major portions of Saskatchewan and Alberta, AAFC has reduced its forecast yields in western Canada from the July 5 report. In eastern Canada, where most of the corn and soybeans are grown, moisture conditions are generally good and yields are expected to increase from the lows of 2001-02. The supply of grains and oilseeds is forecast to fall sharply, due to low carry-in stocks and a decrease in corn imports. Total exports are forecast to fall to a modern day low of 18.8 Mt, as lower wheat, barley, canola and flax exports more than offset higher exports of durum, corn, oats and soybeans.

For 2002-03, US wheat prices (excluding durum) are expected to increase significantly from the 2001-02 level due to lower US and world ending stocks. Durum prices are expected to fall due to larger world supplies and rising stocks. US corn prices are expected to increase due to lower ending stocks. Oilseed prices are expected to increase due to higher edible oil prices, despite burdensome world oilseed supplies. In Canada, the prices for grains and oilseeds are expected to increase, except for durum and oats, although prices will, in general, be pressured by the expected appreciation of the Canadian dollar relative to the US dollar. The major factors to watch are: growing conditions in the major importing and exporting regions, the aggressiveness of the EU with export subsidies, China's policy on imports of GMO products and the Canada/US exchange rate.

WHEAT (ex-durum)

Production for 2002-03 is forecast to fall by 16%, from 2001-02 to 14.9 Mt, due to a 7% reduction in seeded area and 10% lower yields. Due to smaller carry-in stocks, total supplies are forecast to decline by 19%. Exports are projected to decline by 28%, to a record low of 8.7 Mt, well below the 10.4 Mt exported in 1988-89, the previous modern-day. Feed use in 2002-03 is expected to decline by 9% but remain high as a result of strong hog feed demand. Carry-out stocks are forecast to fall by 20% from 2001-02, to an historically low level of 4.0 Mt. The Canadian Wheat Board (CWB) July Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$216/t, in-store Vancouver/St. Lawrence, vs. \$203/t for 2001-02. Ontario winter wheat production is forecast to rise by 7% to 1.1 Mt, due to lower abandonment.

DURUM

Production is forecast to increase by 57% from 2001-02 to 4.7 Mt, vs. the 5-year average of 5 Mt, due to a larger area seeded and improved yields. This will be partly offset by a 50% drop in carry-in stocks, so that supplies will be slightly higher than 2001-02. Exports are forecast to rise from 2001-02, due to strong competition from other exporters. Domestic use is expected to rise marginally due to increased feed use. Carry-out stocks are projected to increase by 10%, to 1.6 Mt, vs. the 5-year average of 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$228/t I/S VC/SL, vs. \$255/t for 2001-02. The premium over No.1 CWRS 11.5% is forecast at \$12/t, vs. \$52/t for 2001-02.

BARLEY

Barley production is forecast to decrease from 2001-02 due to lower yields and a high rate of abandonment related to crop failure in many areas and strong demand for fodder. Lower barley supplies are

expected to result in reduced feed use.

Malting barley exports are forecast to decrease, and feed barley exports are projected to remain extremely low as a result of short supplies and strong domestic demand. Carry-out stocks are forecast to be lower than 2001-02, and off-Board feed barley prices are expected to increase. The CWB PRO for No.1 CW Feed Barley is \$168/t vs. \$180/t for 2001-02 and the PRO for Special Select Two Row Designated Barley is \$207/t vs. \$212/t for 2001-02.

OATS

Production is forecast to rise from 2001-02 due to higher seeded area. The rate of abandonment is expected to remain high due to strong demand for fodder and crop failure in many areas. Exports and carry-out stocks are forecast to increase due to higher supplies. Prices are forecast to remain high at \$145-175/t, due to higher production in Canada, the US, and the EU. Oats are expected to be priced competitively with other feed grains.

CORN

Corn production is forecast to rise, largely due to higher yields. Imports are expected to fall but remain historically high. Imports into western Canada will increase from 2001-02 due to reduced barley production, while imports into eastern Canada are forecast to fall. Feed use is expected to increase, primarily as a result of the lower supplies of barley in western Canada. Chatham corn prices are forecast to rise to \$120-150/t due to higher US corn prices.

CANOLA

Production is expected to decrease from 2001-02 as sharply lower yields, combined with increased abandonment due to the drought, more than offset the impact of higher seeded area. Exports are projected to decline significantly due to tight supplies. Carry-out stocks are forecast to

fall by 60%, to pipeline levels. Prices are expected to rise sharply to \$400-430/t, due to higher soyoil and palm oil prices and lower supplies.

FLAXSEED (excluding solin)

Production is expected to remain stable as lower yields offset a rise in harvested area. Supplies are forecast to decrease, due to sharply lower carry-in stocks. Exports and total domestic use are forecast to decline slightly from 2001-02. Carry-out stocks are expected to decline by 35%, supporting the price outlook of \$375-405/t.

SOYBEANS

Production is forecast to rise significantly, due to the return to near-normal yields, following the sharply lower yields of 2001-02 which more than offsets the drop in harvested area. Imports are expected to fall significantly, moderating the rise in supplies. Exports are expected to rise sharply, to near the 5-year average, following the major decline in 2001-02. Domestic crush is forecast to remain unchanged at near-record high volumes. Prices are forecast to increase to \$260-290/t due to higher US soybean prices, which is expected to more than offset the widening of the Chicago cash-Chatham basis and the appreciation of the Canadian dollar.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@agr.gc.ca
Coarse Grains.....Dennis Jackson 983-8461
E-mailjacksond@agr.gc.ca
Oilseeds.....Chris Beckman.....984-4929
E-mailbeckmac@agr.gc.ca
Fred Oleson, Chief983-0807
E-mailolesonf@agr.gc.ca

www.agr.gc.ca/mad-dam/

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

July 31, 2002

| Grain and Crop Year (a) | Harvested | Yield t/ha | Production | Imports (b) | Total | Exports (c) | Food and | Feed, Waste | Total Dom- | Carry- Stocks | Average Price (e) \$/t |
|-----------------------------------|----------------|---------------|------------|-------------|--------|-------------|----------|-------------|---------------|------------------|------------------------------|
| | Area 000 ha | | | | Supply | | Ind. Use | & Dockage | estic Use (d) | | |
| ----- thousand metric tonnes----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 2000-2001 | 2,614 | 2.16 | 5,647 | 10 | 7,432 | 3,486 | 255 | 596 | 1,065 | 2,882 | 242.61 |
| 2001-2002f | 2,060 | 1.46 | 3,010 | 10 | 5,902 | 3,500 | 260 | 442 | 952 | 1,450 | 255 * |
| 2002-2003f | 2,440 | 1.93 | 4,710 | 10 | 6,170 | 3,600 | 265 | 475 | 970 | 1,600 | 228 * |
| Wheat Except Durum | | | | | | | | | | | |
| 2000-2001 | 8,349 | 2.53 | 21,157 | 50 | 27,171 | 13,263 | 2,760 | 3,619 | 7,272 | 6,636 | 182.41 |
| 2001-2002f | 8,596 | 2.07 | 17,780 | 60 | 24,476 | 12,000 | 2,785 | 3,860 | 7,476 | 5,000 | 203 * |
| 2002-2003f | 8,050 | 1.85 | 14,930 | 10 | 19,940 | 8,700 | 2,840 | 3,510 | 7,240 | 4,000 | 216 * |
| All Wheat | | | | | | | | | | | |
| 2000-2001 | 10,963 | 2.44 | 26,804 | 60 | 34,604 | 16,749 | 3,015 | 4,215 | 8,337 | 9,518 | |
| 2001-2002f | 10,656 | 1.95 | 20,790 | 70 | 30,378 | 15,500 | 3,045 | 4,302 | 8,428 | 6,450 | |
| 2002-2003f | 10,490 | 1.87 | 19,640 | 20 | 26,110 | 12,300 | 3,105 | 3,985 | 8,210 | 5,600 | |
| Barley | | | | | | | | | | | |
| 2000-2001 | 4,551 | 2.96 | 13,468 | 40 | 16,346 | 2,639 | 359 | 10,444 | 11,240 | 2,466 | 128.85 |
| 2001-2002f | 4,208 | 2.65 | 11,165 | 105 | 13,736 | 1,725 | 330 | 9,326 | 10,111 | 1,900 | 155-160 |
| 2002-2003f | 4,199 | 2.55 | 10,690 | 100 | 12,690 | 1,350 | 330 | 8,745 | 9,540 | 1,800 | 160-190 |
| Corn | | | | | | | | | | | |
| 2000-2001 | 1,088 | 6.27 | 6,827 | 2,872 | 11,251 | 104 | 2,145 | 8,088 | 10,267 | 880 | 120.04 |
| 2001-2002f | 1,260 | 6.60 | 8,320 | 3,250 | 12,450 | 200 | 2,200 | 9,166 | 11,400 | 850 | 125-135 |
| 2002-2003f | 1,275 | 7.16 | 9,135 | 2,775 | 12,760 | 250 | 2,250 | 9,351 | 11,635 | 875 | 120-150 |
| Oats | | | | | | | | | | | |
| 2000-2001 | 1,299 | 2.61 | 3,389 | 8 | 4,519 | 1,759 | 111 | 1,620 | 1,906 | 854 | 114.49 |
| 2001-2002f | 1,260 | 2.18 | 2,750 | 60 | 3,664 | 1,350 | 150 | 1,606 | 1,939 | 375 | 195-205 |
| 2002-2003f | 1,513 | 2.25 | 3,405 | 5 | 3,785 | 1,500 | 150 | 1,527 | 1,860 | 425 | 145-175 |
| Rye | | | | | | | | | | | |
| 2000-2001 | 115 | 2.27 | 260 | 5 | 426 | 89 | 68 | 175 | 260 | 77 | |
| 2001-2002f | 102 | 1.91 | 195 | 5 | 277 | 65 | 62 | 101 | 177 | 35 | |
| 2002-2003f | 90 | 2.00 | 180 | 5 | 220 | 45 | 62 | 64 | 145 | 30 | |
| Mixed Grains | | | | | | | | | | | |
| 2000-2001 | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002f | 145 | 2.83 | 410 | 0 | 410 | 0 | 0 | 410 | 410 | 0 | |
| 2002-2003f | 160 | 2.75 | 440 | 0 | 440 | 0 | 0 | 440 | 440 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 2000-2001 | 7,181 | 3.39 | 24,327 | 2,925 | 32,924 | 4,592 | 2,683 | 20,709 | 24,056 | 4,277 | |
| 2001-2002f | 6,975 | 3.27 | 22,840 | 3,420 | 30,537 | 3,340 | 2,742 | 20,609 | 24,037 | 3,160 | |
| 2002-2003f | 7,237 | 3.30 | 23,850 | 2,885 | 29,895 | 3,145 | 2,792 | 20,127 | 23,620 | 3,130 | |
| Canola | | | | | | | | | | | |
| 2000-2001 | 4,816 | 1.48 | 7,126 | 224 | 9,507 | 4,838 | 3,013 | 606 | 3,651 | 1,018 | 290.70 |
| 2001-2002f | 3,758 | 1.32 | 4,971 | 250 | 6,239 | 2,500 | 2,300 | 394 | 2,739 | 1,000 | 350-360 |
| 2002-2003f | 3,623 | 1.08 | 3,900 | 250 | 5,150 | 2,050 | 2,250 | 415 | 2,700 | 400 | 400-430 |
| Flaxseed | | | | | | | | | | | |
| 2000-2001 | 591 | 1.17 | 693 | 11 | 1,090 | 613 | n/a | n/a | 218 | 259 | 261.03 |
| 2001-2002f | 671 | 1.06 | 710 | 10 | 979 | 600 | n/a | n/a | 224 | 155 | 315-325 |
| 2002-2003f | 678 | 1.05 | 710 | 10 | 875 | 575 | n/a | n/a | 200 | 100 | 375-405 |
| Soybeans | | | | | | | | | | | |
| 2000-2001 | 1,061 | 2.55 | 2,703 | 431 | 3,386 | 747 | 1,697 | 693 | 2,459 | 180 | 256.09 |
| 2001-2002f | 1,070 | 1.50 | 1,605 | 1,000 | 2,785 | 450 | 1,700 | 415 | 2,185 | 150 | 260-270 |
| 2002-2003f | 1,024 | 2.47 | 2,525 | 400 | 3,075 | 800 | 1,700 | 405 | 2,175 | 100 | 260-290 |
| Total Oilseeds | | | | | | | | | | | |
| 2000-2001 | 6,468 | 1.63 | 10,522 | 666 | 13,983 | 6,199 | 4,710 | 1,299 | 6,328 | 1,457 | |
| 2001-2002f | 5,499 | 1.33 | 7,286 | 1,260 | 10,003 | 3,550 | 4,000 | 809 | 5,148 | 1,305 | |
| 2002-2003f | 5,325 | 1.34 | 7,135 | 660 | 9,100 | 3,425 | 3,950 | 820 | 5,075 | 600 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 2000-2001 | 24,612 | 2.51 | 61,653 | 3,651 | 81,511 | 27,540 | 10,408 | 26,223 | 38,720 | 15,252 | |
| 2001-2002f | 23,130 | 2.20 | 50,916 | 4,750 | 70,918 | 22,390 | 9,787 | 25,720 | 37,613 | 10,915 | |
| 2002-2003f | 23,052 | 2.20 | 50,625 | 3,565 | 65,105 | 18,870 | 9,847 | 24,932 | 36,905 | 9,330 | |

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: **Wheat**: No.1 CWRS and **Durum**: No.1 CWAD - (CWB final price I/S St. Lawrence/Vancouver);

Barley (No.1 Feed, WCE cash I/S, Lethbridge); **Corn** (No.2 CE cash I/S, Chatham); **Oats** (Us No. 2 Heavy, CBoT nearby futures);

Canola (No.1 Canada, WCE cash I/S, Vancouver); **Flaxseed** (No.1 CW WCE cash I/S, Thunder Bay); **Soybeans** (No.2, I/S, Chatham).

* - CWB PRO May/02 **June/02. Prices for No.1 CWRS and No.1 CWAD with 11.5% protein for 2000-01 to 2002-03. This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, July 31, 2002

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

July 31, 2002

Based on Statistics Canada's June 28 area seeded estimates, total pulse and special crops production for 2002-03 is forecast to decrease by 2%, compared to 2001-02, to 3.56 million tonnes (Mt). Total supply is expected to decrease by 10% because of lower production and carry-in stocks. Total exports, domestic use and carry-out stocks are forecast to decrease due to lower supply. Average prices, compared to 2001-02, are forecast to increase for lentils, chick peas and sunflower seed, but decrease for dry peas, dry beans, mustard seed and canary seed, and to be stable for buckwheat. However, prices are expected to be very sensitive to any production problems in major producing areas of the world, due to low world carry-in stocks.

Although soil moisture is generally good in Quebec, Ontario, Manitoba, southern Alberta and southern Saskatchewan, most areas of northern Alberta and northern Saskatchewan are short of moisture. For dry peas, lentils, chick peas, mustard seed and canary seed, average yields are forecast to be lower and abandonment rates higher than normal because a significant portion of these crops are grown in the dry areas. For dry beans, sunflower seed and buckwheat, normal yields and abandonment rates are forecast because these crops are mostly grown in areas with better moisture conditions. Crop development has advanced with the hot weather in July and is now near normal. For dry peas, lentils, chick peas, mustard seed and canary seed, additional rainfall would not have a major impact on yields because of the advanced stage of crop development. However, timely rain will be needed to maintain good crop condition for dry beans, sunflower seed and buckwheat. Harvesting is expected to start in early August for dry peas, mid-August for lentils, chick peas and mustard seed, late August for canary seed, early September for dry beans, mid-September for buckwheat and late September for sunflower seed.

DRY PEAS

For 2002-03, production is forecast to decrease by 8% from 2001-02, due to lower seeded area and higher abandonment. Total supply is forecast to decrease by 11%, due to lower production and carry-in stocks. Total world supply is expected to decrease by 5% to 10.5 Mt. Canadian exports and domestic use are forecast to decrease, due to the lower supply. Carry-out stocks are forecast to decrease to a very low level. The average price, over all types, grades and markets, is forecast to remain high although slightly lower, as compared to 2001-02, due to expected increased competition from the EU in the food market.

LENTILS

Production is forecast to decrease by 6%, as a 15% decrease in seeded area is partly offset by higher yields. Production is expected to increase slightly for large green lentils, remain stable for medium green lentils, and decrease for small green and red lentils. Total supply is forecast to decrease by 18%, due to lower production and carry-in stocks. Total world supply is expected to decrease by 4% to 3.6 Mt. Canadian exports are expected to decrease due to the lower supply. Carry-out stocks are forecast to decrease to a very low level. The average price, over all types and grades, is forecast to increase by about 10%, due to the lower supply.

DRY BEANS

Production is forecast to increase by 29%, due mainly to an increase in seeded area. Production of white pea, dark and light red kidney, cranberry, black and pinto beans is expected to increase, while production of small red, pink and Great Northern beans decreases. Total supply is expected to increase by only 8% mainly because of lower carry-in stocks. Exports are forecast to be similar to 2001-02 and carry-out stocks are expected to increase, with a stocks-to-use (s/u) ratio of 10%. US production is expected to increase by 35% to 1.1 Mt. Total US and

Canadian supply is expected to increase by only 13% to 1.6 Mt, due to lower carry-in stocks. The average price, over all classes and grades, is forecast to decrease by about 25% because of increased supply.

CHICK PEAS

Production is forecast to decrease by 46%, as a 55% decrease in seeded area is partly offset by higher yields. Production is expected to decrease for all three types, large kabuli, small kabuli and desi. Total Canadian supply is forecast to decrease by only 25% due to higher carry-in stocks. Total world supply is expected to fall marginally to 7.9 Mt. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are forecast to decrease, with a s/u ratio of 7%. Lower production is expected to support prices of the kabuli type, while prices of the desi type are expected to be similar to 2001-02. The average price over all types, sizes and grades is forecast to increase slightly.

MUSTARD SEED

Production is forecast to increase by 108% due to a 75% increase in seeded area and higher yields. Production is expected to increase for all three types, yellow, brown and oriental. Total supply is forecast to increase by only 5%, due to lower carry-in stocks. Canadian exports are expected to be similar to 2001-02. Carry-out stocks are forecast to be very low. The average price, over all types and grades, is forecast to decrease by about 30% because of expected increased supply in Canada, the US and Europe.

CANARY SEED

Production is forecast to increase by 83%, due to a 68% increase in seeded area and higher yields. Total supply is forecast to increase by only 14%, due to lower carry-in stocks. Total world supply is forecast to increase by 11% to 250,000 t. Canadian exports are expected to increase, because of the higher supply. Carry-out stocks

are forecast to remain low, with a s/u ratio of 5%. The average price is forecast to decrease by about 20% because of increased supply.

SUNFLOWER SEED

Production is forecast to increase by 44%, due mainly to higher seeded area. Production is expected to increase for both confectionary and oilseed types. Total supply is forecast to increase by only 6% because of lower carry-in stocks. Exports are expected to increase, while domestic use remains stable. Carry-out stocks are forecast to remain low, with a s/u ratio of 6%. Total world supply is expected to increase by 6% to 23.45 Mt. Total US and Canadian supply of the confectionary type is expected to decrease significantly and prices for the confectionary type are expected to rise. However, for the oilseed type, although North American supply is expected to decrease slightly, world supplies are expected to increase and pressure prices. The average price in Canada, is forecast to increase by about 10% because of the stronger prices for the confectionary type.

BUCKWHEAT

Production is forecast to decrease by 11%, as a 24% decrease in seeded area is partly offset by higher yields. Total use is forecast to remain stable. The average price over all grades and markets is forecast to be the same as in 2001-02, in line with stable world total supply of about 3.4 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mail skrypetzs@agr.gc.ca
Fred Oleson, Chief(204) 983-0807
E-mail.....olesonf@agr.gc.ca

www.agr.gc.ca/mad-dam/

CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

July 31, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Carry-out Stocks | Average Price (e) \$/t |
|---|--------------------------|---------------|------------|----------------|--------------|----------------|------------------------|------------------|---------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 | 1,220 | 2.35 | 2,864 | 12 | 3,276 | 2,196 | 885 | 195 | 138 |
| 2001-2002f | 1,290 | 1.57 | 2,030 | 25 | 2,250 | 1,450 | 700 | 100 | 185 |
| 2002-2003f | 1,205 | 1.56 | 1,875 | 30 | 2,005 | 1,300 | 655 | 50 | 165-195 |
| Lentils | | | | | | | | | |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 | 688 | 1.33 | 914 | 5 | 999 | 550 | 243 | 206 | 295 |
| 2001-2002f | 669 | .85 | 568 | 5 | 779 | 515 | 164 | 100 | 320 |
| 2002-2003f | 575 | .93 | 535 | 5 | 640 | 460 | 165 | 15 | 335-365 |
| Dry Beans | | | | | | | | | |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 | 165 | 1.62 | 268 | 40 | 348 | 227 | 71 | 50 | 465 |
| 2001-2002f | 164 | 1.70 | 279 | 35 | 364 | 280 | 69 | 15 | 725 |
| 2002-2003f | 215 | 1.67 | 360 | 20 | 395 | 280 | 80 | 35 | 540-570 |
| Chick Peas | | | | | | | | | |
| 1998-1999 | 40 | 1.33 | 53 | 2 | 56 | 14 | 37 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 | 283 | 1.37 | 388 | 5 | 408 | 179 | 199 | 30 | 410 |
| 2001-2002f | 460 | .97 | 447 | 10 | 487 | 210 | 162 | 115 | 380 |
| 2002-2003f | 210 | 1.14 | 240 | 10 | 365 | 200 | 140 | 25 | 375-405 |
| Mustard Seed | | | | | | | | | |
| 1998-1999 | 279 | .86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 | 208 | .97 | 202 | 1 | 318 | 151 | 67 | 100 | 280 |
| 2001-2002f | 148 | .67 | 99 | 2 | 201 | 145 | 51 | 5 | 685 |
| 2002-2003f | 280 | .73 | 205 | 1 | 211 | 145 | 61 | 5 | 455-485 |
| Canary Seed | | | | | | | | | |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 | 164 | 1.04 | 171 | 0 | 261 | 170 | 21 | 70 | 265 |
| 2001-2002f | 152 | .66 | 101 | 0 | 171 | 140 | 21 | 10 | 660 |
| 2002-2003f | 260 | .71 | 185 | 0 | 195 | 155 | 30 | 10 | 495-525 |
| Sunflower Seed | | | | | | | | | |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 | 69 | 1.72 | 119 | 18 | 178 | 77 | 70 | 31 | 320 |
| 2001-2002f | 67 | 1.55 | 104 | 25 | 160 | 85 | 70 | 5 | 355 |
| 2002-2003f | 95 | 1.58 | 150 | 15 | 170 | 90 | 70 | 10 | 380-410 |
| Buckwheat | | | | | | | | | |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 | 15 | .93 | 14 | 1 | 16 | 9 | 7 | 0 | 305 |
| 2001-2002f | 13 | 1.15 | 15 | 1 | 16 | 8 | 7 | 1 | 325 |
| 2002-2003f | 11 | 1.18 | 13 | 1 | 15 | 8 | 7 | 0 | 310-340 |
| Total Pulse and Special Crops(c) | | | | | | | | | |
| 1998-1999 | 2,156 | 1.70 | 3,660 | 109 | 4,301 | 2,634 | 1,036 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 | 2,812 | 1.76 | 4,940 | 82 | 5,804 | 3,559 | 1,563 | 682 | |
| 2001-2002f | 2,963 | 1.23 | 3,643 | 103 | 4,428 | 2,833 | 1,244 | 351 | |
| 2002-2003f | 2,851 | 1.25 | 3,563 | 82 | 3,996 | 2,638 | 1,208 | 150 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, July 31, 2002.

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday July 29, 2002

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|-----------|------------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| Vancouver B.C. | This week | FOB | 211.16 | N/A | 208.16 | 186.00 | | 359.00 | (7) 241.50 | 155.00 | 320.00 | (4) 900.00 | 480.00 | | | | 380.00 |
| | Week ago | | 211.16 | N/A | 208.16 | 193.50 | | 373.00 | (7) 266.50 | 151.50 | 320.00 | (4) 900.00 | 480.00 | | | | 380.00 |
| Calgary | This week | FOB | 188.00 | N/A | 185.00 | 169.00 | | 355.00 | N/A | | 280.00 | (4) 950.00 | 515.00 | | | | 380.00 |
| Alta | Week ago | | 189.00 | N/A | 185.00 | 174.00 | | 365.00 | N/A | | 280.00 | (4) 950.00 | 515.00 | | | | 380.00 |
| Saskatoon | This week | FOB | 177.50 | 235.00 | 170.00 | 165.00 | | 354.00 | 228.11 | | 280.00 | (4) N/A | 515.00 | | 185.67 | | 410.00 |
| Sask. | Week ago | | 182.50 | 235.00 | 172.50 | 165.00 | | 369.00 | 254.00 | | 280.00 | (4) N/A | 515.00 | | 182.33 | | 410.00 |
| Melfort | This week | FOB | N/A | N/A | N/A | | | | | | | | | | | | |
| Sask. | Week ago | | N/A | N/A | N/A | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 184.50 | (9) 186.16 | 167.42 | 165.00 | | 338.50 | 218.00 | | 310.00 | (4) 900.00 | 435.00 | | | | 415.00 |
| Man. | Week ago | | 187.50 | (9) 189.14 | 167.88 | 160.00 | | 353.50 | 244.00 | | 305.00 | (4) 900.00 | 435.00 | | | | 415.00 |
| Thunder Bay | This week | In-store | (8)180.80 | N/A | (8) 182.00 | | | | | | | | | | | | |
| Ont. | Week ago | | (8)189.50 | N/A | (8) 177.50 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 159.27 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 148.24 | | | | | | | | | | | |
| Bay Ports | This week | In-store | 210.80 | 322.00 | N/A | | | | | | | | | | | | |
| Ont. | Week ago | | 214.50 | 322.00 | N/A | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 157.87 | | | | | | | | | | | |
| Ont. | Week ago | | | | | 152.65 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Hamilton | This week | N/A | | | | | FOB | 345.90 | N/A | | | | | | | | |
| Ont. | Week ago | | | | | | | 347.44 | N/A | | | | | | | | |
| Eastern | This week | FOB | | | | 159.50 | | | | | | | | 500.00 | 126.00 | | |
| Ontario | Week ago | | | | | 160.00 | | | | | | | | 455.00 | 123.00 | | |
| London | This week | FOB | | | | | | | | | | | | 500.00 | | | |
| Ont. | Week ago | | | | | | | | | | | | | 455.00 | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | 500.00 | 126.00 | | |
| Ont. | Week ago | | | | | | | | | | | | | 455.00 | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | 455.00 | | | |
| Ont. | Week ago | | | | | | | | | | | | | 455.00 | | | |
| Montreal | This week | | | | | | FOB | 362.55 | 241.76 | 132.33 | 298.00 | (5) 825.00 | 325.00 | 510.00 | 136.00 | 260.00 | 370.00 |
| Que. | Week ago | | | | | | | 362.55 | 254.91 | 123.17 | 292.00 | (5) 825.00 | 325.00 | 465.00 | 133.00 | 260.00 | 360.00 |
| Trois Riv. | This week | In-store | 230.80 | | 239.30 | 175.58 | | | | | | | | | | | |
| Que. | Week ago | | 234.50 | | 236.70 | 166.03 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | 185.40 | 220.00 | 184.65 | (2) 171.64 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | 199.75 | 223.33 | 193.35 | (2) 168.00 | | | | | | | | | | | |
| Quebec | This week | In-store | 199.75 | 223.33 | 193.35 | (2) 168.00 | | | | | | | | | | | |
| Que. | Week ago | | 230.33 | | 216.70 | 169.84 | | | | | | | | | | | |
| Truro | This week | Track | 260.52 | 281.52 | 240.27 | 204.84 | FOB | 390.43 | 294.18 | | 334.00 | | 410.00 | | | | 370.00 |
| N.S. | Week ago | | 260.42 | 281.43 | 238.47 | 197.35 | | 381.73 | 293.82 | | 328.50 | | 410.00 | | | | 360.00 |
| Truro | This week | Water | 252.75 | N/A | N/A | 207.75 | | | | | | | | | | | |
| N.S. | Week ago & Truck | | 258.35 | N/A | N/A | 194.90 | | | | | | | | | | | |
| Halifax | This week | In-store | 243.75 | N/A | N/A | 198.75 | FOB | | | 267.00 | | (6) 950.00 | | | | | |
| N.S. | Week ago | | 249.35 | N/A | N/A | 185.90 | | | | 267.00 | | (6) 950.00 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5722 as of July 29, 2002

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat No. 1 Feed Oats No. 1 Canada Western or Eastern Barley No. 2 Canada Yellow Corn No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk Basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Futures WCE (9) 3CW

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday July 29, 2002

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|------------|---------------|---------------|
| From: Thunder Bay 2 | In-Store | WHEAT | 180.80 | 189.50 | | 195.50 | 135.50 |
| CBOT | | OATS | N/A | N/A | | N/A | 188.81 |
| LETHBRIDGE | | BARLEY | 182.00 | 177.50 | | 169.50 | 149.90 |
| To: Bayports, Ont. | In-store | WHEAT | 203.90 | 212.60 | 1. | 218.60 | 158.60 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 209.15 | 204.65 | 1. | 196.65 | 177.05 |
| Montreal, Que. | In-store | WHEAT | 208.65 | 217.35 | 1. | 223.35 | 163.35 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 214.27 | 209.77 | 1. | 201.77 | 182.17 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 231.12 | 239.82 | | 245.82 | 185.82 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 240.63 | 236.13 | | 228.13 | 208.53 |
| Truro, N.S. | Truck via Halifax | WHEAT | 228.62 | 237.32 | | 243.32 | 183.32 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 235.75 | 231.25 | | 223.25 | 203.65 |
| Halifax, N.S. | In-store | WHEAT | 215.95 | 224.65 | 1. | 230.65 | 170.65 |
| | | OATS | N/A | N/A | 1.0 | N/A | N/A |
| | | BARLEY | 222.07 | 217.57 | 1.0 | 209.57 | 189.97 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 275.73 | 284.43 | | 290.43 | 230.43 |
| | | OATS | N/A | N/A | | N/A | 295.01 |
| | | BARLEY | 289.14 | 284.64 | | 276.64 | 257.04 |
| From: Melfort, Sask. | FOB | WHEAT | N/A | N/A | | 199.50 | 144.50 |
| | | OATS | N/A | N/A | | N/A | 170.85 |
| | | BARLEY | N/A | N/A | | 166.50 | 143.90 |
| To: Bayports, Ont. | Track | WHEAT | N/A | N/A | | 248.65 | 200.62 |
| | | OATS | N/A | N/A | | N/A | 229.72 |
| | | BARLEY | N/A | N/A | | 216.20 | 197.29 |
| Montreal, Que. | Track | WHEAT | N/A | N/A | | 249.41 | 201.37 |
| | | OATS | N/A | N/A | | N/A | 230.62 |
| | | BARLEY | N/A | N/A | | 217.02 | 198.11 |
| Moncton, N.B. | Track | WHEAT | N/A | N/A | | 277.69 | 222.55 |
| | | OATS | N/A | N/A | | N/A | 253.96 |
| | | BARLEY | N/A | N/A | | N/A | 210.22 |
| Truro, N.S. | Track | WHEAT | N/A | N/A | | 275.88 | 222.72 |
| | | OATS | N/A | N/A | | N/A | 254.93 |
| | | BARLEY | N/A | N/A | | N/A | 223.84 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | N/A | N/A | | 322.94 | 266.06 |
| | | OATS | N/A | N/A | | N/A | 302.31 |
| | | BARLEY | N/A | N/A | | N/A | 272.13 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|------------|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 159.27 | 148.24 | | 143.49 | 133.21 |
| To: Montreal, Que. (US Corn) | In-store | | 178.17 | 167.14 | 1.0 | 162.39 | 152.11 |
| From: Chicago (Mi) | Track | | 157.39 | 146.42 | | 142.30 | 125.36 |
| To: Montreal, Que. (US Corn) | Track | | 186.42 | 175.45 | | 171.33 | 152.90 |
| From: Chatham | Track | | 157.87 | 152.65 | | 151.57 | 129.72 |
| To: Montreal, Que. | Track | | 181.25 | 176.03 | | 174.95 | 152.61 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 345.90 | 347.44 | | 328.82 | 336.97 |
| To: Montreal, Que. | Track | | 370.32 | 371.86 | | 353.24 | 359.44 |
| Moncton, N.B. | Track | | 393.53 | 395.07 | | 376.45 | 376.75 |
| Truro, N.S. | Track | | 392.36 | 393.90 | | 375.28 | 379.72 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 441.16 | 442.70 | | 424.08 | 428.98 |

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



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CHICK PEAS: SITUATION AND OUTLOOK

Canadian production of chick peas at the commercial level began in 1995-1996 and increased sharply in subsequent years. Canada became the third largest producer in the world in 2001-2002, but Canadian production is forecast to decrease sharply in 2002-2003. In 2000-2001, Canada became a major exporter of chick peas, with Canadian exports valued at \$106 million. Canadian exports are expected to increase further in 2001-2002, but decrease in 2002-2003. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for chick peas.

BACKGROUND

Chick peas have contributed to the diversification of crop production in Saskatchewan and Alberta and are valuable in crop rotations which help to control weeds, diseases and insects and improve soil texture and fertility. The production of chick peas has also contributed to the expansion of the pulse crops handling, marketing and processing industry, which increased employment opportunities in rural areas.

The two commercial types of chick peas produced are desi and kabuli. Kabuli chick peas, also known as garbanzo beans, have a larger, cream-coloured seed with a thin seed coat. The desi type has a smaller, darker coloured seed with a thick seed coat. Included in the kabuli chick pea production are the large kabuli type with the seed size mostly 8-9 millimetres (mm) and a seed weight of about 420-550 grams/1000 seed, and the small kabuli type, which have a more uniform seed size of about 7 mm and a seed weight of about 265 grams/1000 seed. Yields of the desi and small kabuli types are about 20% higher than of the large kabuli type.

Chick peas thrive under good moisture conditions with daytime temperatures between 21 to 29 degrees Celsius (°C) and nighttime temperatures near 20° C. Length of maturity depends on available heat and moisture, but is in the range of

95-105 days for desi type and 100-110 days for kabuli type. Chick peas are best adapted to the Brown and Dark Brown soil zones of south-western Saskatchewan and south-eastern Alberta where production problems of seedling blight, ascochyta blight and late maturity are less common. Chick peas are

relatively drought tolerant due to the long tap root. They are not well adapted to high moisture areas, saline soils, soils which are slow to warm in the spring and wet or waterlogged soils. Chick pea production works well in rotation with cereal grains such as spring or durum wheat. Nitrogen fertilizer

WORLD: CHICK PEA SUPPLY AND DISPOSITION

| | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002 | 2002 -2003f |
|-------------------------------|---------------|---------------|---------------|---------------|----------------|
| Harvested Area (000 ha) | 11,227 | 11,948 | 10,422 | 8,762 | 8,800 |
| Average Yields (t/ha) | 0.84 | 0.65 | 0.60 | 0.90 | 0.85 |
|thousand tonnes..... | | | | | |
| Carry-in Stocks (e) | 600 | 1,200 | 400 | 100 | 300 |
| Production | | | | | |
| India* | 6,800 | 5,120 | 3,520 | 5,070 | 4,900 |
| Turkey** | 625 | 560 | 548 | 590 | 620 |
| Pakistan | 767 | 698 | 565 | 397 | 390 |
| Australia*** | 160 | 187 | 150 | 258 | 291 |
| Canada**** | 53 | 197 | 388 | 447 | 240 |
| Mexico | 98 | 198 | 234 | 200 | 200 |
| Iran | 249 | 165 | 160 | 158 | 165 |
| Ethiopia | 137 | 165 | 176 | 176 | 160 |
| Myanmar | 89 | 68 | 84 | 119 | 110 |
| Syria | 85 | 29 | 65 | 60 | 65 |
| United States***** | 19 | 34 | 59 | 73 | 55 |
| Other | 404 | 298 | 316 | 332 | 324 |
| Total Production | 9,486 | 7,719 | 6,265 | 7,880 | 7,520 |
| Total Production - Kabuli (e) | 1,590 | 1,615 | 1,920 | 2,005 | 1,800 |
| Total Production - Desi (e) | 7,896 | 6,104 | 4,345 | 5,875 | 5,720 |
| Total Supply | 10,086 | 8,919 | 6,665 | 7,980 | 7,820 |
| Total Use (e) | 8,886 | 8,519 | 6,565 | 7,680 | 7,670 |
| Carry-out Stocks (e) | 1,200 | 400 | 100 | 300 | 150 |

e: estimate, AAFC, August 2002

f: forecast, AAFC, Pulse Australia and USDA Attache, August 2002

Source: FAO, except *India Department of Agriculture, **FAO/USDA Attache, ***Pulse Australia, ****Statistics Canada, *****USDA - August 2002

Canada

is usually not required since chick peas possess the ability to fix nitrogen from the air in nodules on the roots where it is used for plant growth. To maximize the nitrogen fixation ability, chick pea seed should be inoculated with the chick pea strain of nitrogen-fixing inoculant.

The stage of crop development should be closely monitored as weathered seed and dark seed discolouration (green, brown, black) makes the seed less desirable to most processors and consumers. Kabuli chick pea colour is especially important because buyers prefer a yellowish-cream colour. Early fall frost can result in green discolouration of immature kabuli chick pea seed, which will reduce the value of the crop. Other important factors affecting visual quality are levels of admixture, seed size and seed uniformity. The use of conveyors instead of augers when handling chick peas, will reduce mechanical damage.

WORLD

Production

During the past 10 years, world production has been variable, ranging from a low of 6.27 million tonnes (Mt) in 2000-2001 to a high of 9.49 Mt in 1998-1999. India

accounted for 60-70% of world production during this period. Production in India was variable, which was the main reason for the large range in world production. Among the other major producers, production was also variable in Australia, Pakistan, Mexico, Myanmar and Ethiopia, but trended upwards in Canada, Syria and the United States (US), and trended downwards in Turkey and Iran. Countries in the Indian sub-continent and Australia produced mainly the desi type, Canada produced both the kabuli and desi types, and the remaining countries produced mainly the kabuli type. On average, world production consisted of about 75% desi type and 25% kabuli type. Production of the kabuli type is more dispersed and therefore less variable than for the desi type.

Consumption and Trade

Chick peas are used almost exclusively for human consumption. The desi type seed must be dehulled and is used whole or split or milled. In India and surrounding countries, the desi chick peas are used whole, shelled and split to produce dhal, or ground into a fine flour called *besan*. *Besan* is used in many ways for cooking, including mixed with wheat flour to make roti or chapatti, and for making sweets and snacks. Chick peas are also used as a vegetable. In the Middle East,

consumption is based on a popular dish known as "hommus" which is produced from mashed chick peas mixed with oil and spices. The kabuli type are used mainly in salad bars and vegetable mixes. They are also used in preparing a wide variety of snack foods, soups, sweets, and condiments. Smaller size kabuli chick peas are also milled for flour. Kabuli chick peas are substituted for desi chick peas if the price is competitive. Chick peas are an excellent source of protein, fibre, complex carbohydrates, vitamins, and minerals. They are low in sodium and fat, and can be used in gluten-free, diabetic, low salt, low calorie, low cholesterol, and high fibre diets.

More than 90% of the chick peas are consumed in the countries where they are produced. World exports during the past 10 years were variable, ranging from a low of 427,000 tonnes (t) in calendar year 1992 to a high of 878,000 t in 1997. In 2000, the latest year for which world trade statistics

are available, exports were 745,000 t and imports were 581,000 t. The large difference between exports and imports may be attributed to timing of delivery and international classification differences. The top three exporting countries (Australia, Mexico and Canada) accounted for 80% of exports in 2000. Imports were distributed much more widely than exports, with the top five countries, Pakistan, India, Algeria, Bangladesh, and Spain accounting for 61% of imports. During the past 10 years, India was the largest importer of chick peas, but imports were extremely variable, depending on the volume of production in India and price. Because of the variability in India's imports, there was large variability in total world imports. Excluding India, world imports were more stable. India and surrounding countries import mainly the desi type, while countries in North and South America, Europe, the Middle East and northern Africa import mainly the kabuli type.

CANADA

Production

Chick pea production at the commercial level in Canada started in 1995-1996 at about 1,000 t, but increased rapidly during the next six years to 447,000 t in 2001-2002. Production of desi and both large and small kabuli types increased during this period. Saskatchewan accounted for about 96% of Canadian production in 2001-2002, and Alberta for 4%. The Canadian chick pea harvest generally occurs during the period from mid-August to early October.

Marketing

All of the chick peas produced in Canada are sold on the open market to dealers. There are about 35 dealers, mainly in Saskatchewan, who buy, clean and ship chick peas to domestic and export consumers. The dealers range from small, family owned businesses to large corporations. In recent years, producers have invested in several plants which handle pulse crops, including chick peas. There are several processing plants in Saskatchewan which dehull and split desi chick peas. Some chick peas are grown, under production contracts, which guarantee a price for part of the production, and others are sold on the spot market. Chick peas are shipped mainly bagged in containers, although some are also shipped bulk in containers or bulk inside the hold of ships. Most Canadian chick pea exports are through the ports of Vancouver and Montreal.

The Canadian Special Crops Association (CSCA) (www.specialcrops.mb.ca) is an industry organization representing traders, exporters and processors of pulse and special crops, including chick peas. Pulse Canada (www.pulsecanada.com) is an industry organization, with the CSCA and provincial pulse growers' organizations as members. It is involved in policy issues, coordinating

WORLD: CHICK PEA EXPORTS

| calendar year | 1996 | 1997 | 1998 | 1999 | 2000 |
|----------------------------|------------|------------|------------|------------|------------|
| thousand tonnes..... | | | | | |
| Australia | 217 | 380 | 165 | 127 | 307 |
| Mexico | 137 | 98 | 111 | 155 | 159 |
| Canada* | 1 | 1 | 12 | 21 | 133 |
| Turkey | 193 | 263 | 158 | 102 | 50 |
| United States | 8 | 6 | 10 | 23 | 35 |
| Iran | 4 | 106 | 62 | 33 | 19 |
| Other | 26 | 24 | 76 | 43 | 42 |
| Total | 586 | 878 | 594 | 504 | 745 |

WORLD: CHICK PEA IMPORTS

| calendar year | 1996 | 1997 | 1998 | 1999 | 2000 |
|----------------------------|------------|------------|------------|------------|------------|
| thousand tonnes..... | | | | | |
| Pakistan | 76 | 20 | 21 | 15 | 165 |
| India | 122 | 381 | 110 | 11 | 64 |
| Spain | 74 | 50 | 41 | 56 | 59 |
| Algeria | 44 | 40 | 38 | 38 | 37 |
| Bangladesh | 7 | 20 | 22 | 55 | 29 |
| Saudi Arabia | 18 | 18 | 20 | 12 | 19 |
| Jordan | 5 | 17 | 18 | 19 | 18 |
| Italy | 26 | 19 | 19 | 18 | 18 |
| Tunisia | 14 | 20 | 18 | 19 | 18 |
| United Kingdom | 14 | 15 | 15 | 12 | 16 |
| Sri Lanka | 6 | 14 | 15 | 13 | 14 |
| France | 19 | 12 | 12 | 9 | 13 |
| United States | 13 | 14 | 12 | 12 | 12 |
| Other | 116 | 119 | 108 | 95 | 99 |
| Total | 554 | 759 | 469 | 384 | 581 |

Note: The difference between imports and exports may be attributed to the timing of delivery and international classification differences.

Source: FAO except *Statistics Canada, August 2002

CANADA: CHICK PEA PRODUCTION BY TYPE

| August-July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002 | 2002 -2003f |
|--------------------------|----------------------------|---------------|---------------|---------------|----------------|
| | thousand tonnes..... | | | | |
| Desi | 22 | 99 | 194 | 150 | 110 |
| Kabuli (large) | 31 | 89 | 156 | 185 | 85 |
| Kabuli (small) | 0 | 9 | 38 | 112 | 45 |
| Total | 53 | 197 | 388 | 447 | 240 |

f: forecast, AAFC, August 2002

Source: AAFC estimates based on Statistics Canada, crop insurance, and industry reports.

CANADA: CHICK PEA AVERAGE PRODUCER PRICES*

| August-July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002 | 2002 -2003f |
|--------------------------|--------------------|---------------|---------------|---------------|----------------|
| |\$/tonne..... | | | | |
| Desi | 315 | 310 | 325 | 355 | 365 |
| Kabuli (large-9 mm) | 710 | 680 | 740 | 595 | 620 |
| Kabuli (small) | n/a | 415 | 525 | 355 | 365 |

* No.1 CW grade, Saskatchewan

n/a: not applicable

f: forecast, AAFC, August 2002

Source: AAFC

CANADA: CHICK PEA SUPPLY AND DISPOSITION

| August-July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002e | 2002 -2003f |
|-------------------------------------|---------------------------|---------------|---------------|----------------|----------------|
| Harvested Area (Mha) | 40 | 139 | 283 | 460 | 210 |
| Average Yield (t/ha) | 1.33 | 1.42 | 1.37 | 0.97 | 1.14 |
| |thousand tonnes..... | | | | |
| Carry-in Stocks | 1 | 5 | 15 | 30 | 115 |
| Production | 53 | 197 | 388 | 447 | 240 |
| Imports | 2 | 5 | 5 | 10 | 11 |
| Total Supply | 56 | 207 | 408 | 487 | 366 |
| Exports | 14 | 56 | 179 | 210 | 200 |
| Total Domestic Use | 37 | 136 | 199 | 162 | 141 |
| Total Use | 51 | 192 | 378 | 372 | 341 |
| Carry-out Stocks | 5 | 15 | 30 | 115 | 25 |
| Stocks-to-Use Ratio (%) | 10 | 8 | 8 | 31 | 7 |
| Average Producer Price (CAN\$/t)* | 493 | 390 | 410 | 380 | 380 |
| | | | | | -410 |
| Harvested Area (000 ac.) | 99 | 343 | 699 | 1,137 | 519 |
| Yield (lb./ac.) | 1,182 | 1,264 | 1,223 | 867 | 1,020 |
| Production (Mlb.) | 117 | 434 | 855 | 985 | 529 |
| Average Producer Price (CAN\$/lb.)* | 0.224 | 0.177 | 0.186 | 0.172 | 0.172 |
| | | | | | -0.186 |

* average over all types and grades

e: estimate, AAFC, August 2002

f: forecast, AAFC, August 2002

Source: Statistics Canada and AAFC

research efforts and market development.

The Canadian Grain Commission (CGC) establishes quality standards for chick peas. The grades are No.1, 2 and 3 Canada Western (CW) Kabuli, and No.1, 2 and 3 CW Desi. Chick peas which do not meet the listed grade standards are graded Sample CW. The major quality concerns in chick pea grading are damage due to heating and peeling, split or broken seed, seed discolouration, as well as foreign material. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: www.grainscanada.gc.ca

Prices

Canadian prices are largely determined in the international markets because Canada exports most of its production. Although prices of the large kabuli type are higher than the desi type, they are also more volatile. Prices of the large kabuli type increase as the size of the seed increases from 7 mm, to 8 mm, to 9 mm and to 10 mm. The producer receives a weighted average price for kabuli chick peas based on the percentage of various sized seed. The price of the small kabuli type is generally higher than for the desi type, but lower than the weighted average large kabuli type price. Since there is no futures market for chick peas, prices are negotiated directly between the dealers and customers based on supply and demand factors for each type of chick pea. The prices negotiated could be for immediate delivery or for delivery at some future date.

Domestic Use and Exports

Domestic use consists of food, feed, seed, dockage and waste. It has been increasing, in line with increasing production. Only small volumes of low quality chick peas are used for livestock feed, however nutritional analysis indicates that they make an excellent feed.

Canadian chick pea exports have increased sharply, in line with the increase in production. The main markets by region, with the leading countries in brackets, are Asia (India, Bangladesh, Pakistan), Europe (Spain, Italy, Portugal, France, Belgium, Greece), the Middle East (United Arab Emirates, Jordan, Saudi Arabia, Lebanon), northern Africa (Algeria, Morocco, Egypt), South America (Colombia), and the US. Exports to Asia are mainly the desi type, although exports of kabalus are also significant. Exports to the other regions of the world are mainly the kabuli type.

OUTLOOK: 2002-2003

World

World production is forecast to decrease by about 4% from 2001-2002 to 7.5 Mt, with a small decrease for the desi type and a larger decrease for the kabuli type. Total supply is expected to decrease slightly to about 7.8 Mt. The world production forecast for 2002-2003 is preliminary as seeding in the countries of the Indian sub-continent has not started, information about the crop in the Middle East is limited and there is uncertainty about the production volume in Australia because of dry conditions in many chick pea growing areas.

Canada

Area seeded in Canada decreased by 55% due to (1) lower potential returns from growing kabuli chick peas, (2) increased frustration among producers with the costs and risks of ascochyta blight and (3) higher risk in growing chick peas, as compared to some alternative crops, such as durum wheat. Area seeded has shifted to the desi type from the kabuli type. Although soil moisture conditions in the chick pea growing areas improved during the month of June, about one-third of the areas continued to be dry. Therefore, average yields are forecast to be lower than normal, but higher than in 2001-2002. Production is forecast to decrease by 46% to 240,000 t. Although production of all types is expected to decrease, the decrease is expected to be larger for the small and large kabuli types than for the desi type. Total supply is expected to decrease by only 25% to 366,000 t because of increased carry-in stocks. Exports are expected to decrease due to the lower supply. Carry-out stocks are forecast to decrease to a low level, with a stocks-to-use ratio of 7%. Lower world production is expected to support prices of all types of chick peas. The average price, over all types, grades and sizes, is forecast to increase by about 5%. The harvest has started.

India

Chick peas in India are grown as a winter crop in the central and north-western parts of the country. Nearly all of the chick peas produced in India are the desi type. Chick peas are generally seeded in October and November and harvested mainly in March and April. Most of the rainfall in the chick pea growing areas occurs during the summer monsoon season which normally lasts from early June to early October in the central parts of the country and mid-June to late September in the north-western parts. The monsoon rainfall provides moisture for the summer crops and a moisture reserve for winter crops, such as chick peas. Chick peas are generally grown without irrigation. In 2002, the monsoon rainfall has been lower than normal in the chick pea growing areas. If the rainfall does not improve, the chick pea areas will have below normal moisture reserves and will be dependent on winter rains. However, winter rainfall is normally much lower and less reliable than during the summer. Below normal soil moisture reserves during the seeding period could encourage additional seeding of chick peas because they are considered to be more drought tolerant than cereals and oilseeds. However, yields would be lower than normal, unless winter rainfall is ideal. Therefore, there is a great deal of uncertainty about the 2002-2003 chick pea crop in India. If production falls significantly, imports of desi chick peas would increase. Imports of kabuli chick peas would also increase, although prices would have to be competitive with the desi type. Therefore most of the imports would be the smaller size kabuli chick peas. In addition, imports of yellow peas would also increase because they are used as a cheaper substitute for desi chick peas. Larger imports of desi and kabuli chick peas and yellow peas would strengthen Canadian prices for desi and kabuli chick peas, as well as yellow peas.

US Farm Security and Rural Investment Act (FSRIA) of 2002

For the first time, lentils, dry peas and small chick peas are included under the loan program. The loan rate provides a floor return for small chick pea producers because if the market price is lower than the loan rate, the producer is eligible for a loan deficiency payment. This will make it easier for producers to obtain operating loans. The loan rate for small chick peas is US\$7.56 per 100 pounds (cwt) for crop years 2002 and 2003, and US\$7.43/cwt for 2004 to 2007. Small chick peas are defined as those that "drop below a 20/64 screen" or less than 7.8 mm, which means the desi and small kabuli types. US production is nearly all the large kabuli type. Long-term price data for

the desi and small kabuli types is not available, but the current price in Montana and North Dakota for No.1 desi chick peas is US\$10.00/cwt. The current North Dakota and Montana price is similar to the price paid in Saskatchewan converted to US currency. Therefore, using that assumption, the average price in those states would have been in US\$/cwt 10.15, 9.70, 9.50 and 9.80 for 2001-2002, 2000-2001, 1999-2000 and 1998-1999, respectively. All of these prices are higher than the loan rate. The average prices for the small kabuli type were usually higher than for the desi type. Therefore, the main advantage of the loan rate on the US production of the desi and small kabuli types is that it provides a floor return, which makes it easier to obtain operating loans. In addition, it appears that both large and small chick peas are covered by the FSRIA planting flexibility restrictions for vegetables and dry beans, which means that planting of chick peas would be limited to non-program base acres. Therefore, although US production of the desi and small kabuli types is expected to increase because of the loan rate, production of these types is expected to remain small and not have significant impact on world supply and prices. Small chick peas are not eligible for counter cyclical payments, unlike the major grains and oilseeds, since there is no target price and they do not receive direct payments. Since there is no loan rate for the large kabuli type, US production of this type will continue to depend on market signals.

US chick pea production in 2001-2002 was in the states of Idaho (26%), California (24%), North Dakota (14%), Washington (13%), South Dakota (9%) and Montana (8%). The small amount of desi and small kabuli chick peas produced were in Idaho, Montana and North Dakota.

For periodic updates on the situation and outlook for chick peas, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Situation and Outlook."

CANADA: CHICK PEA EXPORTS

| August-July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002e | 2002 -2003f |
|----------------------------------|----------------------------|---------------|---------------|----------------|----------------|
| |thousand tonnes | | | | |
| Asia | 7 | 28 | 119 | 125 | 115 |
| Europe | 3 | 10 | 20 | 25 | 25 |
| Middle East | 2 | 11 | 16 | 30 | 25 |
| Africa | 0 | 2 | 15 | 15 | 15 |
| South America | 1 | 2 | 5 | 8 | 10 |
| Central America and Caribbean | 1 | 1 | 2 | 3 | 3 |
| United States | 1 | 2 | 3 | 5 | 7 |
| Total | 14 | 56 | 179 | 210 | 200 |

e: estimate, AAFC, August 2002

f: forecast, AAFC, August 2002

Source: Statistics Canada

**For more information
please contact:**

Stan Skrypetz,
Pulse and Special Crops Analyst
Phone: (204) 983-8972
E-mail: skrypetz@agr.gc.ca

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Market Analysis Division,
Marketing Policy Directorate,
Strategic Policy Branch,
Agriculture and Agri-Food Canada,
500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday August 12, 2002

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 46% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|-----------|------------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| Vancouver B.C. | This week | FOB | 221.16 | N/A | 218.16 | 210.50 | 385.00 | (7) 266.00 | (7) 251.00 | 168.00 | 320.00 | (4) 900.00 | 490.00 | | | | 380.00 |
| | Week ago | | 216.16 | N/A | 213.16 | 202.00 | 373.50 | (7) 251.00 | N/A | 165.00 | 280.00 | (4) 900.00 | 490.00 | | | | 380.00 |
| Calgary Alta | This week | FOB | 198.00 | N/A | 195.00 | 200.00 | 371.00 | | N/A | | 280.00 | (4) 950.00 | 525.00 | | | | 380.00 |
| | Week ago | | 193.00 | N/A | 190.00 | 185.00 | 361.50 | | N/A | | 280.00 | (4) 950.00 | 525.00 | | | | 380.00 |
| Saskatoon | This week | FOB | 182.50 | 240.00 | 180.50 | 195.00 | 362.00 | 250.00 | | | 280.00 | (4) N/A | 525.00 | | 185.67 | | 410.00 |
| | Week ago | | 182.50 | 240.00 | 180.50 | 179.00 | 360.00 | 235.00 | | | 280.00 | (4) N/A | 525.00 | | 185.67 | | 410.00 |
| Melfort Sask. | This week | FOB | N/A | N/A | N/A | | | | | | | | | | | | |
| | Week ago | | N/A | N/A | N/A | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | 189.00 | (9) 194.00 | 171.50 | 180.00 | 345.00 | 240.00 | | | 315.00 | (4) 900.00 | 435.00 | | | | 415.00 |
| | Week ago | | 189.00 | (9) 185.66 | 169.75 | 172.00 | 341.50 | 225.00 | | | 310.00 | (4) 900.00 | 435.00 | | | | 415.00 |
| Thunder Bay Ont. | This week | In-store | (8)178.50 | N/A | (8) 188.00 | | | | | | | | | | | | |
| | Week ago | | (8)182.00 | N/A | (8) 188.00 | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | 164.19 | | | | | | | | | | | |
| | Week ago | Vessel | | | | 167.41 | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | 211.50 | 322.00 | N/A | | | | | | | | | | | | |
| | Week ago | | 213.00 | 322.00 | N/A | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | 163.48 | | | | | | | | | | | |
| | Week ago | | | | | 162.89 | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | FOB | 341.71 | N/A | | | | | | | | |
| | Week ago | | | | | | | 345.90 | N/A | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 170.00 | | | | | | | | | | | |
| | Week ago | | | | | 163.00 | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | FOB | 361.23 | 249.96 | 132.33 | 309.00 | (5) 850.00 | 325.00 | 520.00 | 140.00 | 260.00 | 390.00 |
| | Week ago | | | | | | | 361.40 | 249.02 | 132.33 | 303.00 | (5) 825.00 | 325.00 | 510.00 | 136.00 | 260.00 | 380.00 |
| Trois-Riv. Que. | Week ago | In-store | 228.50 | | 232.50 | 181.19 | | | | | | | | | | | |
| | This week | | 232.00 | | 247.00 | 185.72 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | 179.25 | 213.33 | 168.17 | (2) 175.68 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | 183.50 | 220.00 | 172.33 | (2) 174.30 | | | | | | | | | | | |
| | This week | In-store | 218.00 | | 222.83 | 183.29 | FOB | 359.72 | | | | | | | | | |
| | Week ago | | 220.33 | | 225.33 | 182.96 | | 358.39 | | | | | | | | | |
| Quebec Que. | This week | Track | 253.03 | 283.46 | 244.27 | 212.28 | FOB | 394.24 | 277.88 | | | | | | | | |
| | Week ago | | 260.09 | 281.52 | 242.37 | 208.64 | | 389.61 | 290.13 | | | | | | | | |
| Truro N.S. | This week | Water | N/A | N/A | N/A | 213.60 | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| N.S. | Week ago | & Truck | 250.70 | N/A | N/A | 208.95 | | | | | | | | | | | |
| | This week | In-store | N/A | N/A | N/A | 204.60 | FOB | | | 272.00 | | (6) 950.00 | | | | | |
| Halifax N.S. | Week ago | | 241.70 | N/A | N/A | 199.95 | | | | 272.00 | | (6) 950.00 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754 N/A = not available US \$1.00=Can \$1.5740 as of August 12, 2002
Thunder Bay prices are based on the Winnipeg Commodities Exchange market close
Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat. No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday August 12, 2002

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| From: Thunder Bay 2 | In-Store | WHEAT | 178.50 | 182.00 | 187.40 | 137.00 |
| CBOT | | OATS | N/A | N/A | N/A | 178.26 |
| LETHBRIDGE | | BARLEY | 188.50 | 188.00 | 173.20 | 149.50 |
| To: Bayports, Ont. | In-store | WHEAT | 201.60 | 205.10 | 1. | 210.50 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 215.35 | 215.15 | 1. | 200.35 |
| Montreal, Que. | In-store | WHEAT | 206.35 | 209.85 | 1. | 215.25 |
| | | OATS | N/A | N/A | 1. | N/A |
| | | BARLEY | 220.47 | 220.27 | 1. | 205.47 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 228.82 | 232.32 | 237.72 | 187.32 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 246.83 | 246.63 | 231.83 | 208.13 |
| Truro, N.S. | Truck via Halifax | WHEAT | 226.32 | 229.82 | 235.22 | 184.82 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 241.95 | 241.75 | 226.95 | 203.25 |
| Halifax, N.S. | In-store | WHEAT | 213.65 | 217.15 | 1. | 222.55 |
| | | OATS | N/A | N/A | 1.0 | N/A |
| | | BARLEY | 228.27 | 228.07 | 1.0 | 213.27 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 273.43 | 276.93 | 282.33 | 231.93 |
| | | OATS | N/A | N/A | N/A | 284.46 |
| | | BARLEY | 295.34 | 295.14 | 280.64 | 256.64 |
| From: Melfort, Sask. | FOB | WHEAT | N/A | N/A | N/A | 142.00 |
| | | OATS | N/A | N/A | N/A | 160.28 |
| | | BARLEY | N/A | N/A | N/A | 142.50 |
| To: Bayports, Ont. | Track | WHEAT | N/A | N/A | N/A | 198.12 |
| | | OATS | N/A | N/A | N/A | 219.15 |
| | | BARLEY | N/A | N/A | N/A | 195.89 |
| Montreal, Que. | Track | WHEAT | N/A | N/A | N/A | 198.87 |
| | | OATS | N/A | N/A | N/A | 220.05 |
| | | BARLEY | N/A | N/A | N/A | 196.71 |
| Moncton, N.B. | Track | WHEAT | N/A | N/A | N/A | 220.05 |
| | | OATS | N/A | N/A | N/A | 243.39 |
| | | BARLEY | N/A | N/A | N/A | 208.82 |
| Truro, N.S. | Track | WHEAT | N/A | N/A | N/A | 220.22 |
| | | OATS | N/A | N/A | N/A | 244.36 |
| | | BARLEY | N/A | N/A | N/A | 222.44 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | N/A | N/A | N/A | 263.56 |
| | | OATS | N/A | N/A | N/A | 291.74 |
| | | BARLEY | N/A | N/A | N/A | 270.73 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|---------------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 164.19 | 167.41 | 140.06 | 135.22 |
| To: Montreal, Que. (US Corn) | In-store | | 183.09 | 186.31 | 1.0 | 158.96 |
| From: Chicago (Mi) | Track | | 161.09 | 163.66 | 137.05 | 126.73 |
| To: Montreal, Que. (US Corn) | Track | | 190.12 | 192.69 | 166.08 | 154.27 |
| From: Chatham | Track | | 163.48 | 162.89 | 148.61 | 134.24 |
| To: Montreal, Que. | Track | | 186.86 | 186.27 | 171.99 | 157.13 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|---------------|---------------|
| From: Hamilton, Ont. | | | 341.71 | 345.90 | 338.96 | 338.08 |
| To: Montreal, Que. | Track | | 366.13 | 370.32 | 363.38 | 360.55 |
| Moncton, N.B. | Track | | 389.34 | 393.53 | 386.59 | 377.86 |
| Truro, N.S. | Track | | 388.17 | 392.36 | 385.42 | 380.83 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 436.97 | 441.16 | 434.22 | 430.09 |

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
 Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Bi-weekly Bulletin

August 30, 2002 Volume 15 Number 17

FLAXSEED

Canada is the world's largest producer and exporter of flaxseed, representing almost 80% of world trade. Consequently, supply conditions for flaxseed in Canada exert a major influence on the world flaxseed market. In Canada, supplies in 2002-2003 are forecast to decrease by about 11% due to very low carry-in stocks and stable production. Prices are expected to increase about 20% to \$390 per tonne (/t) due to tight supplies both in Canada and around the world. As well, decreased global supplies of oilseeds are expected to lead to higher vegetable oil and meal prices, providing further support to flaxseed prices. This issue of the *Bi-weekly Bulletin* looks at the outlook for flaxseed for 2002-2003.

Flaxseed has been part of the diet of humans for thousands of years. The Babylonians cultivated flaxseed as early as 3,000 BC. Over the centuries, the production of flaxseed spread across Europe, Africa and finally to North America where it was the first oilseed to be widely grown in western Canada. Today, the unique properties of flaxseed differentiate it from other oilseeds in the industrial,

human food and livestock feed markets.

Most countries, other than those in North America, refer to flaxseed as linseed. In Europe, flaxseed refers to the tall, long fibre varieties of the crop produced for the linen textile industry, while linseed designates the short fibre varieties used for oil and livestock meal. In Canada, the vast majority of flaxseed produced is of the

short fibre oilseed varieties and is grown principally in the Prairie provinces of Saskatchewan, Manitoba and to a lesser extent Alberta. A limited amount of long fibre flaxseed is grown in Quebec and is processed by Fibrex Canada to produce flax fibre for linen textiles.

Agronomy

Flaxseed is best adapted to production in areas with lower growing temperatures and longer periods of daylight, where oil content and iodine values are optimized. As a result, the relatively long day length at western Canada's higher latitudes and relatively cool temperatures combine to make western Canada highly suited to the production of high quality flaxseed.

Research in Canada

Agriculture and Agri-Food Canada's (AAFC's) flaxseed breeding program takes place at the Morden Research Center in Morden, Manitoba. Ongoing research is looking to improve the oil content and quality of flaxseed, specifically by changing the oil profile to include increased levels of linolenic acid, also referred to as the omega-3 fatty acid. At the same time, research scientists are trying to increase and sustain yields and disease resistance to Pasma, powdery mildew and sclerotinia.

Uses

Flaxseed has numerous industrial uses. The oil, called linseed oil, is a major ingredient in linoleum flooring and is also

WORLD: FLAXSEED SUPPLY AND DISPOSITION

| local marketing year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002e | 2002 -2003f |
|---------------------------|---------------|---------------|---------------|----------------|----------------|
| Harvested Area (Mha) | 3.52 | 3.50 | 3.09 | 2.93 | 3.06 |
| Average Yield (t/ha) | 0.77 | 0.79 | 0.73 | 0.71 | 0.72 |
|thousand tonnes..... | | | | | |
| Carry-in Stocks | 170 | 310 | 560 | 410 | 270 |
| Production | | | | | |
| Canada * | 1,081 | 1,022 | 693 | 715 | 709 |
| China | 523 | 404 | 520 | 420 | 470 |
| US ** | 170 | 200 | 273 | 291 | 342 |
| India | 280 | 290 | 220 | 250 | 260 |
| EU-15 | 312 | 565 | 211 | 138 | 150 |
| Other | 330 | 293 | 333 | 276 | 269 |
| Total Production | 2,696 | 2,774 | 2,250 | 2,090 | 2,200 |
| Total Supply | 2,866 | 3,084 | 2,810 | 2,500 | 2,470 |
| Crush | 2,219 | 2,130 | 2,015 | 1,910 | 1,950 |
| Other | 337 | 394 | 385 | 320 | 300 |
| Total Use | 2,556 | 2,524 | 2,400 | 2,230 | 2,250 |
| Carry-out Stocks | 310 | 560 | 410 | 270 | 220 |
| Trade | 923 | 710 | 793 | 774 | 775 |

e: estimate, Oil World, June 28, 2002

f: forecast, AAFC, August 2002

Source: Oil World, except *Statistics Canada and **USDA

used in paints and stains. The flax plant itself provides industrial fibre for the pulp and paper and automotive industries. For many years, the short flax fibre produced in Canada has been processed to be used in the manufacturing of fine bond papers. Recently, manufacturers have developed new technologies to use this strong, short fibre in other products such as car door panels, plant pots and retaining mats.

Flaxseed is classified as a functional food because it provides not only nutritional benefits, but other health benefits as well. These benefits, as described by the Mayo Clinic, include lignans which may play a role in preventing cancers of the breast, endometrium and prostate, fibre which can help lower cholesterol, regulate blood sugar levels and aid in digestion, and omega-3 fatty acids which help lower the risk of cardiovascular disease and stroke.

Benefits from flaxseed can be introduced to the diet through flaxseed oil, milled flaxseed, or through omega-3 eggs, which are produced by hens on flaxseed-fortified rations. Products that are readily available in supermarkets and that contain flaxseed include breads, cereals, crackers, energy bars, baking mixes, snacks, soups and waffles. As well, whole or milled flaxseed is available at most grocery stores.

The benefits of flaxseed as animal feed are numerous. For poultry, flaxseed in the laying hens' rations results in eggs which are higher in omega-3 fatty acid, which health conscious consumers want in their diet. For swine, the inclusion of flaxseed in the diet not only changes the nutritional quality of the pork by making more omega-3 fatty acid available to the consumer, but studies also suggest that flaxseed in the diet of breeding sows produces larger, healthier piglets. For

horses, flaxseed in the feed improves the coat and hair appearance, improves hoof condition and decreases nervousness. There is also promise that the chemical compounds found in flaxseed can be useful in treating a host of medical conditions including cardiac arrhythmia and chronic arthritis. Flaxseed is routinely included in premium pet foods to improve the overall health and appearance of cats and dogs. Research continues on how flaxseed could be incorporated into rations for dairy cattle to create products such as omega-3 enriched milk and cheese.

In general, flaxseed is milled before it is included in animal rations, to ensure maximum absorption of the nutrients in the flaxseed. Typically, flaxseed will be included in poultry feed at 10% or 20% of the ration, depending on the desired result for the eggs. For swine, flaxseed is added at 5%.

WORLD

Production

World production of the 10 major oilseeds (soybeans, cottonseed, canola/rapeseed, peanuts, sunflower seed, palm kernels, copra, sesame seed, flaxseed, and castorseed) is estimated at 320.5 million tonnes (Mt) in 2001-2002, a 3% increase over 2000-2001. Flaxseed production, at 2.1 Mt, represents only 0.6% of the production of the ten major oilseeds.

World production of flaxseed has ranged between 2 and 3 Mt since at least 1935. Over the past few years, since the recent peak of 2.8 Mt in 1999-2000, there has been a marked decrease in production, due primarily to policy changes in Europe and decreased yields in Canada. Canada is the largest producer of flaxseed in the world, with a 35% production share. Other

major producers include China, the United States (US) and India, but of these, only the US has an exportable surplus of flaxseed. Argentina, once a large producer of flaxseed, is no longer a major player. Within Europe, the main producers of flaxseed are Germany, the United Kingdom and France.

Crush

World flaxseed crush decreased by 5% to the relatively low level of 1.91 Mt in 2001-2002 due to low world production of flaxseed. The European Union (EU)-15 has the largest domestic crushing sector, followed by the US and China. The crushing process results in two products; linseed oil and linseed meal or linseed cake.

Typically, flaxseed is processed by press solvent extraction, in the same way that canola is crushed. Flaxseed oil obtained through this method is used for industrial purposes. To obtain flaxseed oil suitable for human consumption, flaxseed is first cold pressed. A later hot press yields additional oil to be used for industrial purposes.

Historically the flaxseed crush in Europe was driven by the demand for linseed oil to be used in the production of linoleum, paints and other industrial products. Recently, however, the demand for non-genetically modified protein meal is driving the crush and the production of linseed oil in Western Europe is on the rise. The linseed meal is fed to livestock, primarily in Western Europe, while surplus linseed oil is sold to distant markets such as China and North Africa. In general, linseed meal is consumed in the country in which it is produced.

In 2001-2002 there were 1.21 Mt of linseed meal produced globally, but only 82,000 t were exported from the producing country. There is usually no carryover of linseed meal.

As the amount of flaxseed crushed has decreased, so has the production of linseed oil. Linseed oil production fell 5% to the relatively low level of 634,000 t in 2001-2002. An increase in production by the EU-15 was more than offset by decreased production in the US and China. Exports, on the other hand, increased to 121,000 t due to a large increase in exports by the EU-15 which more than offset decreased exports by the US.

Food and Feed Uses

Flaxseed is also used in whole or milled form, as human food or animal feed. There are no statistics available for this

WORLD: LINSEED OIL SUPPLY AND DISPOSITION

| October-September marketing year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002e | 2002 -2003f |
|-------------------------------------|---------------|---------------|---------------|----------------|----------------|
|thousand tonnes..... | | | | | |
| Carry-in Stocks | 88 | 109 | 101 | 89 | 78 |
| Production | | | | | |
| EU-15 | 220 | 220 | 179 | 190 | 200 |
| US | 108 | 125 | 115 | 106 | 130 |
| China | 24 | 118 | 135 | 125 | 125 |
| Other | 381 | 247 | 241 | 213 | 220 |
| Total Production | 733 | 710 | 670 | 634 | 675 |
| Total Supply | 821 | 819 | 771 | 723 | 753 |
| Disappearance | 712 | 718 | 682 | 645 | 673 |
| Carry-out Stocks | 109 | 101 | 89 | 78 | 80 |
| Trade | 130 | 148 | 109 | 121 | 130 |

e: estimate, Oil World, June 28, 2002

f: forecast, AAFC, August 2002

Source: Oil World

breakdown at either the domestic level in Canada or at the world level. Since reaching 394,000 t in 1999-2000, feed and food uses have declined to about 320,000 t in 2001-2002. Most of the decline was caused by reduced supplies. In general, flaxseed is consumed as food in China and India, while in Europe and North America more flaxseed is consumed as feed than as food.

While scientists have talked about the health benefits of flaxseed for years, awareness of flaxseed as a food and feed has been building steadily among the general North American population in the last five years. The Flax Council of Canada estimates food and feed uses for Canadian flaxseed in the US have tripled since 1996, increasing from about 45,000 t in 1996-1997. The Flax Council of Canada began promoting flaxseed use in the US in the early 1990s, first with support from the federal department of Western Diversification and since 1996 with support from AAFC's Agri-Food Industry Market Strategies program. Promotion efforts include regularly attending key trade shows such as the American Dieticians' Association (ADA) trade show and Bakers Expo.

In addition, the Flax Council has provided the media with flax nutrition information and the media has responded eagerly. During an 11-month period from July 1999 to May 2000, flaxseed was mentioned 2,000 times in various US media, as tracked by a media-clipping service. The benefits of flaxseed are reported in many health, fitness and lifestyle magazines.

Trade

World trade in flaxseed is estimated at 774,000 t in 2001-2002, about 2% lower than in 2000-2001. Canada is the dominant exporter, with about 80% of the world's exports. The main import markets are Belgium-Luxembourg, Germany, the Netherlands, and to a lesser extent the US and Japan. In the EU, policy changes have led to a decrease in the local production of flaxseed, and as a result, the EU relies on imports from Canada and the US.

CANADA

Production

Almost all of the flaxseed grown in Canada is produced in western Canada. Until 1987, Manitoba was the dominant producer of flaxseed, but since 1993, Saskatchewan has been the main producer. In between those years, Manitoba and Saskatchewan each grew roughly half of Canada's flaxseed crop. For 2001-2002, production increased 3% to 715,000 t, as decreased yields were more than offset by a 14% increase in harvested area. That year, Saskatchewan harvested 471,500 hectares (ha) of flax (71% of Canada's flax), Manitoba harvested 176,000 ha (27%), and Alberta harvested 14,200 ha (2%).

Domestic Use

In Canada, domestic uses include limited crushing for oil, grinding for the inclusion of flax in baked goods, and feeding to livestock, especially poultry.

about \$388/t in August 2002. Flaxseed futures contracts trade at the Winnipeg Commodity Exchange and track the cash value of flaxseed.

Exports

Canada exports about 75% of its production and accounts for up to 80% of world trade. Canadian exports have been fairly stable since 1998-1999 and totalled 632,022 t (including solin), or \$182.8M in 2000-2001. For 2001-2002, exports are expected to decrease slightly to 605,000 t (including solin) due to tighter supplies. By value, exports will increase to about \$200M due to improved prices. Most of Canada's flaxseed is exported to the EU, specifically to Belgium, the Netherlands, and to a lesser extent, Germany. Significant amounts of flaxseed are also sold to the US, Japan and Egypt.

Canada also exports linseed oil, linseed meal, and flax fibre. Linseed oil exports totalled 5,390 t or \$12.3M in 2000-2001. Almost all linseed oil is exported to the US, but in the past China and South Korea were also major trading partners. For 2000-2001, 11,454 t, or \$1.8M, of linseed meal was also exported to the main markets of Belgium and the US. Flax fibre exports in 2000-2001 totalled 56,331 t or \$26.5M and the US was the only market.

OUTLOOK: 2002-2003

World

World production is forecast to be higher than in 2001-2002, due primarily to increased production in the US. While total production is expected to increase by 5% to 2.20 Mt, total supply will actually decrease marginally to 2.47 Mt due to relatively low carry-in stocks. Total world use is expected to increase, resulting in very tight carry-out stocks. Prices should increase to rationalize use.

United States

National loan rates for minor oilseeds in 2002, as outlined in the Farm Security and Rural Investment Act (FSRIA) are differentiated by different oilseed types. These include oil-type sunflower seed, confectionary sunflower seed, flaxseed, canola, rapeseed, safflower and mustard seed. Previously, a single national average loan rate for all minor oilseeds was used, although there were differences in the posted county prices. Differences at the county level will now be much greater. The loan rate for flaxseed decreased about 25% from US\$5.21 per bushel (/bu) in 2001 to US\$3.91/bu in 2002. With the exception of oil-type sunflower seed, loan rates for all other minor oilseeds increased.

Prices

Flaxseed prices generally follow the major oilseed crops, but because of different end uses, are not well correlated with other oilseeds. Canadian flaxseed prices (cash, in-store Thunder Bay) peaked at almost \$475/t in May of 1998, before falling to under \$215/t in August of 2000. Since that time there has been a strong and steady recovery in prices to

CANADA: FLAXSEED SUPPLY AND DISPOSITION

| <i>August-July crop year</i> | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002e | 2002 -2003f |
|----------------------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|
| Harvested Area (000 ha) | 874 | 777 | 591 | 662 | 674 |
| Average Yield (t/ha) | 1.24 | 1.32 | 1.17 | 1.08 | 1.05 |
|thousand tonnes | | | | | |
| Carry-in Stocks | 41 | 151 | 386 | 259 | 160 |
| Production* | 1,081 | 1,022 | 693 | 715 | 709 |
| Imports | 5 | 2 | 11 | 25 | 25 |
| Total Supply | 1,127 | 1,175 | 1,090 | 999 | 894 |
| Exports* | 727 | 568 | 613 | 605 | 600 |
| Total Domestic Use | 249 | 221 | 218 | 234 | 219 |
| Total Use | 976 | 789 | 831 | 839 | 819 |
| Carry-out Stocks | 151 | 386 | 259 | 160 | 75 |
| Stocks-to-Use Ratio | 15% | 49% | 31% | 19% | 9% |
| Average Producer Price (CAN\$/t) | 313 | 237 | 261 | 320 | 375 |
| | | | | | -405 |

e: estimate, AAFC, August 2002

* excluding solin

f: forecast, AAFC, August 2002

Source: Statistics Canada and AAFC

Despite the fact that flaxseed is agronomically adapted to most eastern and Midwestern States, almost all flaxseed produced in the US is grown in North Dakota. In recent years, the area seeded has grown dramatically from about 32,000 ha in 1996 to 320,000 ha in 2002. The increase in area seeded in 2002 can be best explained by the timing of the announcement of the FSRIA. By the time the Act was passed and the new loan rates were announced, many farmers had committed to seeding flaxseed. In the future, however, production will decrease, reflecting the new loan rate that is much lower than that for other crops.

Europe

This year, 2002, completes the 3 years of Agenda 2000, which sought to align aid payments for the various crop groups to the cereals rate in a staggered approach. Thus the aid on cereals rose from €320 per hectare (/ha) (€1.00 = CAN\$1.57 on July 22, 2002) in 2000 by 7-8% annually to where it is currently at €371/ha. Set aside payments were aligned to the cereals rate in 2000, while oilseeds and linseed (flaxseed) growers only saw alignment reached in 2002, with payments cut 15% and 17% respectively from 2001. This policy has resulted in decreased production of flaxseed for the short-term. Proposed changes to farm policy, which look to decouple subsidies from production, will likely result in further decreased production in the long-term.

Canada

Canadian seeded area, at 692,000 ha in 2002-2003 increased slightly, from 2001-2002. Erratic weather throughout the

growing season resulted in a second year of low yields. As such, production is estimated to fall slightly to 709,000 t.

Due to a combination of depressed yields and low carry-in stocks, total supply is expected to decrease by 11%. Exports are expected to fall slightly, primarily due to lower supply. Exports to the EU will fall slightly due to increased competition from the US. Exports to the US will fall due to their increased domestic production. The average producer price is expected to increase significantly from \$320/t in 2001-2002 to \$390/t in 2002-2003, due to tight supplies of flaxseed at both the national and world levels, and the improved outlook for oilseeds in general. Prices could rise even higher if this summer's erratic weather results in crop losses in both western Canada and the state of North Dakota.

For the longer term outlook, the area seeded to flaxseed in Canada is expected

to remain fairly static at about 700,000 to 800,000 ha over the next 5 years. A return to trend yields would result in production of about 1.0 Mt per year. Increased demand for flaxseed as human food and animal feed will likely result in increased prices over the medium-term. As well, there are good prospects for linoleum production in North America in the next few years. Increased prices, however, will moderate the use of flaxseed for industrial purposes, such as paint and solvent manufacturing,

and in the long-term, there will be relatively static world demand for flaxseed.

*This bulletin was written
by Deanna Gower, Market Analyst*

For more information, please contact:

**Fred Oleson, Chief
Phone: (204) 983-0807
E-mail: olesonf@agr.gc.ca**

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500-303 Main Street
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Telephone: (204) 983-8473
Fax: (204) 983-5524**

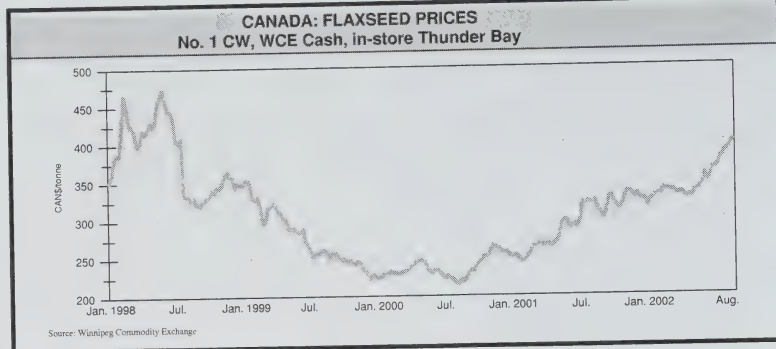
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Chief: Fred Oleson**

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CANADA: FLAXSEED EXPORTS* BY COUNTRY

| August-July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002e | 2002 -2003f |
|---------------------------|---------------|---------------|---------------|----------------|----------------|
|thousand tonnes..... | | | | | |
| EU-15 | | | | | |
| Belgium | 300 | 251 | 382 | 375 | 385 |
| Netherlands | 132 | 89 | 87 | 80 | 75 |
| Germany | 36 | 38 | 1 | 12 | 10 |
| Other | 40 | 1 | 21 | 23 | 35 |
| Total EU-15 | 508 | 379 | 491 | 490 | 505 |
| US | 166 | 149 | 60 | 50 | 25 |
| Japan | 64 | 39 | 43 | 45 | 50 |
| Egypt | 21 | 22 | 25 | 4 | 10 |
| Other | 11 | 10 | 13 | 16 | 10 |
| World | 770 | 599 | 632 | 605 | 600 |

e: estimate, AAFC, August 2002

* including solin

f: forecast, AAFC, August 2002

Source: Statistics Canada

*While the Market Analysis Division assumes responsibility for all information contained in this bulletin,
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CANADA: PULSE AND SPECIAL CROPS OUTLOOK

AUGUST 28, 2002

Production of pulse and special crops for 2002-03 is forecast to decrease by 12%, compared to 2001-02, to 3.2 million tonnes (Mt), based on Statistics Canada's July 31 production estimate for dry peas and AAFC's estimate for other pulse and special crops. Total supply is expected to decrease by 18% because of lower production and carry-in stocks. Total exports, domestic use and carry-out stocks are forecast to decrease due to lower supply. Average prices, compared to 2001-02, are forecast to increase for dry peas, lentils, chick peas and sunflower seed, but decrease for dry beans, mustard seed and canary seed, and to be stable for buckwheat. However, prices are expected to be very sensitive to any production problems in major producing areas of the world, due to low world carry-in stocks.

For dry peas, lentils, chick peas, mustard seed and canary seed, average yields are forecast to be lower and abandonment rates higher than normal because a large portion of these crops are grown in the areas of Saskatchewan and Alberta which had drought during the growing period, and because of damage from frost, grasshoppers and excessive moisture in some of the wetter areas. Harvest progress is behind normal because of wet weather in many areas. To date, about 25% of dry peas, and 5% of lentils, chick peas and mustard seed, have been combined. The canary seed harvest is expected to start in early September. The average quality of dry peas, lentils and chick peas is expected to be lower than in 2001-02 because of some damage from frost and rain. For dry beans, sunflower seed and buckwheat, near normal yields and abandonment rates are forecast because these crops are mostly grown in areas with better moisture conditions. Harvesting is expected to start in early September for dry beans, mid-September for buckwheat and early October for sunflower seed. Early frost could be a problem for later seeded crops or crops which germinated late because of lack of moisture. The main factor to watch is weather during the harvest period.

DRY PEAS

For 2002-03, production is estimated to decrease by 23% from 2001-02, due to lower seeded area, higher abandonment and lower yields. Total supply is forecast to decrease by 25%, due to lower production and carry-in stocks. Total world supply is expected to decrease by 7% to 10.1 Mt. Canadian exports and domestic use are forecast to decrease, due to the lower supply. Carry-out stocks are forecast to decrease to a very low level. The average price, over all types, grades and markets, is forecast to increase by about 10%, as compared to 2001-02, due to the lower supply.

LENTILS

Production is forecast to decrease by 8%, as a 15% decrease in seeded area is partly offset by higher yields. Production is expected to increase slightly for large green lentils, but decrease for medium green, small green and red lentils. Total supply is forecast to decrease by 20%, due to lower production and carry-in stocks. Total world supply is expected to decrease by 4% to 3.6 Mt. Canadian exports are expected to decrease due to the lower supply. Carry-out stocks are forecast to decrease to a very low level. The average price, over all types and grades, is forecast to increase by 10-15%, due to the lower supply.

DRY BEANS

Production is forecast to increase by 27%, due mainly to an increase in seeded area. Production of white pea, dark and light red kidney, cranberry, black, pink and pinto beans is expected to increase, while production of small red and Great Northern beans decreases. Total supply is expected to increase by only 7% because of lower imports and carry-in stocks. Exports are forecast to be similar to 2001-02 and carry-out stocks are expected to increase, with a

stocks-to-use (s/u) ratio of 10%. US production is expected to increase by 45% to 1.18 Mt. Total US and Canadian supply is expected to increase by only 18% to 1.68 Mt, due to lower carry-in stocks. The average price, over all classes and grades, is forecast to decrease by about 25% because of increased supply.

CHICK PEAS

Production is forecast to decrease by 49%, as a 55% decrease in seeded area is partly offset by higher yields. Production is expected to decrease for all three types, large kabuli, small kabuli and desi. Total Canadian supply is forecast to decrease by 26% due to higher carry-in stocks. Total world supply is expected to fall by about 4% to 7.9 Mt. Canadian exports are forecast to be similar to 2001-02. Carry-out stocks are forecast to decrease sharply, with a s/u ratio of 6%. The average price over all types, sizes and grades is forecast to increase by about 5%.

MUSTARD SEED

Production is forecast to double due to a 75% increase in seeded area and higher yields. Production is expected to increase for all three types, yellow, brown and oriental. Total supply is forecast to increase only slightly, due to lower carry-in stocks. Canadian exports are expected to decrease slightly. Carry-out stocks are forecast to be very low. The average price, over all types and grades, is forecast to decrease by about 25% because of expected increased supply of yellow mustard seed in Canada and the US.

CANARY SEED

Production is forecast to increase by 83%, due to a 68% increase in seeded area and higher yields. Total supply is forecast to increase by only 14%, due to lower carry-in stocks. Total world supply is forecast to increase by 11% to 250,000 t. Canadian exports are expected to

increase, because of the higher supply. Carry-out stocks are forecast to remain low, with a s/u ratio of 5%. The average price is forecast to decrease by about 15% because of increased supply.

SUNFLOWER SEED

Production is forecast to increase by 44%, due mainly to higher seeded area. Production is expected to increase for both confectionary and oilseed types. Total supply is forecast to increase by only 6% because of lower carry-in stocks. Exports are expected to increase, while domestic use remains stable. Carry-out stocks are forecast to be very low. Total world supply is expected to increase by 6% to 23.45 Mt. Total US and Canadian supply of the confectionary type is expected to decrease significantly and prices for the confectionary type are expected to rise. However, for the oilseed type, although North American supply is expected to decrease slightly, world supplies are expected to increase and prices are expected to be similar to 2001-02. The average price in Canada, is forecast to increase by 10-15% because of the stronger prices for the confectionary type.

BUCKWHEAT

Production is forecast to decrease by 11%, as a 24% decrease in seeded area is partly offset by higher yields. Total use is forecast to remain stable. The average price over all grades and markets is forecast to be similar to 2001-02, in line with stable world total supply of about 3.4 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mail skrypetzs@agr.gc.ca
Fred Oleson, Chief(204) 983-0807
E-mail.....olesonf@agr.gc.ca
www.agr.gc.ca/mad-dam/

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

AUGUST 28, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Carry-out Stocks | Average Price (e) \$/t |
|---|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|---------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 | 1,220 | 2.35 | 2,864 | 12 | 3,276 | 2,196 | 885 | 195 | 138 |
| 2001-2002f | 1,290 | 1.57 | 2,023 | 25 | 2,243 | 1,450 | 693 | 100 | 185 |
| 2002-2003f | 1,082 | 1.44 | 1,553 | 30 | 1,683 | 1,050 | 583 | 50 | 185-215 |
| Lentils | | | | | | | | | |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 | 688 | 1.33 | 914 | 5 | 999 | 550 | 243 | 206 | 295 |
| 2001-2002f | 669 | 0.85 | 568 | 5 | 779 | 515 | 164 | 100 | 320 |
| 2002-2003f | 565 | 0.92 | 520 | 5 | 625 | 450 | 165 | 10 | 345-375 |
| Dry Beans | | | | | | | | | |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 | 165 | 1.62 | 268 | 40 | 348 | 227 | 71 | 50 | 465 |
| 2001-2002f | 164 | 1.70 | 279 | 40 | 369 | 280 | 69 | 20 | 725 |
| 2002-2003f | 215 | 1.65 | 355 | 20 | 395 | 280 | 80 | 35 | 525-555 |
| Chick Peas | | | | | | | | | |
| 1998-1999 | 40 | 1.33 | 53 | 2 | 56 | 14 | 37 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 | 283 | 1.37 | 388 | 5 | 408 | 179 | 199 | 30 | 410 |
| 2001-2002f | 460 | 0.97 | 447 | 11 | 488 | 200 | 168 | 120 | 380 |
| 2002-2003f | 205 | 1.12 | 230 | 10 | 360 | 200 | 140 | 20 | 380-410 |
| Mustard Seed | | | | | | | | | |
| 1998-1999 | 279 | 0.86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 | 208 | 0.97 | 202 | 1 | 318 | 151 | 67 | 100 | 280 |
| 2001-2002f | 148 | 0.67 | 99 | 2 | 201 | 155 | 41 | 5 | 685 |
| 2002-2003f | 275 | 0.73 | 200 | 1 | 206 | 150 | 51 | 5 | 485-515 |
| Canary Seed | | | | | | | | | |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 | 164 | 1.04 | 171 | 0 | 261 | 170 | 21 | 70 | 265 |
| 2001-2002f | 152 | 0.66 | 101 | 0 | 171 | 140 | 21 | 10 | 660 |
| 2002-2003f | 260 | 0.71 | 185 | 0 | 195 | 155 | 30 | 10 | 550-580 |
| Sunflower Seed | | | | | | | | | |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 | 69 | 1.72 | 119 | 18 | 178 | 77 | 70 | 31 | 320 |
| 2001-2002f | 67 | 1.55 | 104 | 25 | 160 | 90 | 65 | 5 | 355 |
| 2002-2003f | 95 | 1.58 | 150 | 15 | 170 | 95 | 70 | 5 | 385-415 |
| Buckwheat | | | | | | | | | |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 | 15 | 0.93 | 14 | 1 | 16 | 9 | 7 | 0 | 305 |
| 2001-2002f | 13 | 1.15 | 15 | 1 | 16 | 8 | 7 | 1 | 325 |
| 2002-2003f | 11 | 1.18 | 13 | 1 | 15 | 8 | 7 | 0 | 310-340 |
| Total Pulse and Special Crops(c) | | | | | | | | | |
| 1998-1999 | 2,156 | 1.70 | 3,660 | 109 | 4,301 | 2,634 | 1,036 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 | 2,812 | 1.76 | 4,940 | 82 | 5,804 | 3,559 | 1,563 | 682 | |
| 2001-2002f | 2,963 | 1.23 | 3,636 | 109 | 4,427 | 2,838 | 1,228 | 361 | |
| 2002-2003f | 2,708 | 1.18 | 3,206 | 82 | 3,649 | 2,388 | 1,126 | 135 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, August 28, 2002.

Source: Statistics Canada and industry consultations.



CANADA: GRAINS AND OILSEEDS OUTLOOK

AUGUST 28, 2002

Total production of grains and oilseeds in Canada is estimated to decrease sharply to 41.8 million tonnes (Mt) from 50.4 Mt in 2001-02, based on Statistics Canada's (STC) July 31 production estimates, vs. the 10-year average of 59.7 Mt. Due to one of the worst droughts on record across the central and northern regions of Saskatchewan and Alberta, crop abandonment is sharply higher and yields significantly lower than normal in western Canada. In eastern Canada, where most of the corn and soybeans are grown, crop conditions are better than last year and yields are expected to increase from the lows of 2001-02. Carry-in stocks are also significantly lower in Canada, resulting in a sharp decline in domestic supplies for 2002-03. Consequently, wheat exports are projected to fall to the lowest level in almost half a century, while corn imports are forecast to increase to a record high level. Total exports of grains and oilseeds are forecast to fall to a modern day low of about 16 Mt, as lower wheat, barley and canola exports more than offset higher exports of durum, corn, oats and soybeans.

For 2002-03, US and world grain and oilseed prices are expected to increase significantly from the 2001-02 level, due to lower US and world ending stocks. In Canada, the prices for grains and oilseeds are also expected to increase. The major factors to watch are: the extent of drought in the major importing and exporting regions of the world, the size and aggressiveness of the EU export program, the competitiveness of non-traditional exporters of wheat and coarse grains, the expected increase in South America's soybean production, uncertainty regarding China's import policy on GMO products, and the Canada/US exchange rate.

WHEAT (ex-durum)

Production for 2002-03 is estimated by STC to fall by 5.8 Mt, or 33%, to 11.8 Mt, the lowest since 1970-71. With 25% lower carry-in stocks, total supplies are forecast to decline by 7.5 Mt. Exports are projected to drop by 45%, to only 6.5 Mt, the lowest since 1956-57. Feed use in 2002-03 is expected to decline due to reduced supply and high prices. Carry-out stocks are forecast to fall by 30% from 2001-02, to an historically low level of 3.5 Mt. The Canadian Wheat Board (CWB) August Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$251/t, in-store Vancouver/St. Lawrence (I/S VC/SL), vs. \$203/t for 2001-02. Ontario winter wheat production is forecast to rise by 10%, to 1.16 Mt, due to lower abandonment. The Ontario Wheat Producers' Marketing Board projected pool returns for No.1 CEWW wheat are \$195-205/t, terminal or processor position, an increase of 44% from 2001-02.

DURUM

Production, concentrated on the southern Prairies, is forecast to increase by 23% from the drought-reduced 2001-02 crop, to 3.7 Mt, but remain well below the 5-year average of 4.7 Mt. This will be more than offset by a 50% drop in carry-in stocks, so that supplies will be 13% lower than in 2001-02. Exports are forecast to rise slightly from 2001-02, due to less competition from the US and Australia. Carry-out stocks are projected to fall by almost 50%, to 0.75 Mt, vs. the 5-year average of 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$263/t, I/S VC/SL, vs. \$255/t for 2001-02. The premium over No.1 CWRS 11.5% is forecast at \$12/t, vs. \$52/t for 2001-02.

BARLEY

Barley production is forecast to fall to the lowest level since 1968. Average yields are the lowest in 30 years and the rate of abandonment is the highest on record due to widespread crop failure and a shortage

of fodder. Feed use is expected to decline due to lower barley supplies. Malting barley exports are forecast to fall to a ten year low due to low barley supplies and high domestic feed grain prices. Feed barley exports are projected to be negligible. Carry-out stocks are forecast to decline to the lowest level of modern times. Off-Board feed barley prices are expected to increase as a result of the shortage of barley supplies and stronger US corn prices. The CWB PRO for No.1 CW Feed Barley is \$181/t vs. \$180/t for 2001-02 and the PRO for Special Select Two Row Designated Barley is \$222/t vs. \$212/t for 2001-02.

OATS

Production is forecast to rise from 2001-02 due to higher seeded area. However, the rate of abandonment is expected to reach the highest level on record due to strong demand for fodder and crop failure in many areas. Supplies are expected to decrease because of lower carry-in stocks. Exports are forecast to increase slightly due to higher production in the eastern Prairies, which is an oat exporting region. Carry-out stocks are expected to remain very low and prices are forecast to be similar to 2001-02, at \$185-215/t.

CORN

Corn production is forecast to rise due to higher yields in Ontario. Imports are expected to set a new record of 5.5 Mt. Imports into western Canada are projected to double due to the sharply lower barley production, while imports into eastern Canada are forecast to decline slightly. Feed use is expected to rise, especially in western Canada. Chatham corn prices are forecast to climb to \$140-170/t due to higher US corn prices.

CANOLA

Production is expected to decrease sharply from 2001-02, to 3.2 Mt, due to an unusually high abandonment and a 23% decline in yields. Despite stable carry-in

stocks, total supplies are expected to decline by 28%. Exports are forecast to decrease by 28%, to the lowest level since 1987-88. Domestic crush is expected to fall by 13% to 2 Mt, the lowest level since 1992-93. Carry-out stocks are forecast to fall by 65%, to historically very low levels. Prices are expected to rise sharply to \$410-440/t, due to higher soyoil and palmoil prices and lower world canola supplies.

FLAXSEED (excluding solin)

Production is expected to decrease marginally as lower yields more than offset a rise in harvested area. Supplies are forecast to decrease, due to sharply lower carry-in stocks. Exports are forecast to be similar to 2001-02 due to strong EU demand. Total domestic use is forecast to decline slightly from 2001-02. Carry-out stocks are expected to decline by 53% and prices are expected to rise to \$375-405/t.

SOYBEANS

Production is forecast to rise sharply to 2.5 Mt, due to an increase in yields to 2.6 t/ha vs. 1.5 t/ha for 2001-02, more than offsetting the 10% drop in harvested area. Imports are forecast to fall by 60%. Exports are expected to rise sharply, to 0.8 Mt, which is near the 5-year average, following the major drop in 2001-02. Domestic crush is projected to be unchanged at a near-record high 1.7 Mt. Chatham soybean prices are forecast to increase to \$300-330/t due to higher US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-mail.....lennoxg@agr.gc.ca
Coarse Grains..Dennis Jackson 983-8461
E-mailjacksond@agr.gc.ca
Oilseeds.....Chris Beckman984-4929
E-mailbeckmac@agr.gc.ca
Fred Oleson, Chief983-0807
E-mailolesonf@agr.gc.ca

www.agr.gc.ca/mad-dam/

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

AUGUST 28, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Domestic Use (d) | Carry-out Stocks | Average Price (e) \$/t |
|------------------------------------|--------------------------|---------------|------------|----------------|--------------|----------------|-------------------|-----------------------|------------------------|------------------|---------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 2000-2001 | 2,614 | 2.16 | 5,647 | 10 | 7,432 | 3,486 | 255 | 596 | 1,065 | 2,882 | 242.61 |
| 2001-2002f | 2,036 | 1.47 | 2,987 | 12 | 5,881 | 3,470 | 260 | 451 | 961 | 1,450 | 255 * |
| 2002-2003f | 2,266 | 1.62 | 3,680 | 10 | 5,140 | 3,600 | 265 | 295 | 790 | 750 | 263 ** |
| Wheat Except Durum | | | | | | | | | | | |
| 2000-2001 | 8,349 | 2.53 | 21,157 | 50 | 27,171 | 13,263 | 2,760 | 3,619 | 7,272 | 6,636 | 182.41 |
| 2001-2002f | 8,550 | 2.06 | 17,581 | 85 | 24,302 | 11,750 | 2,785 | 3,937 | 7,552 | 5,000 | 203 * |
| 2002-2003f | 6,668 | 1.76 | 11,768 | 100 | 16,868 | 6,500 | 2,700 | 3,278 | 6,868 | 3,500 | 251 ** |
| All Wheat | | | | | | | | | | | |
| 2000-2001 | 10,963 | 2.44 | 26,804 | 60 | 34,604 | 16,749 | 3,015 | 4,215 | 8,337 | 9,518 | |
| 2001-2002f | 10,585 | 1.94 | 20,568 | 97 | 30,183 | 15,220 | 3,045 | 4,388 | 8,513 | 6,450 | |
| 2002-2003f | 8,935 | 1.73 | 15,448 | 110 | 22,008 | 10,100 | 2,965 | 3,573 | 7,658 | 4,250 | |
| Barley | | | | | | | | | | | |
| 2000-2001 | 4,551 | 2.96 | 13,468 | 40 | 16,346 | 2,639 | 359 | 10,444 | 11,240 | 2,466 | 128.85 |
| 2001-2002f | 4,150 | 2.61 | 10,846 | 100 | 13,412 | 1,750 | 330 | 9,177 | 9,962 | 1,700 | 158.60 |
| 2002-2003f | 3,606 | 2.19 | 7,883 | 200 | 9,783 | 1,000 | 330 | 6,773 | 7,583 | 1,200 | 175-205 |
| Corn | | | | | | | | | | | |
| 2000-2001 | 1,088 | 6.27 | 6,827 | 2,872 | 11,251 | 104 | 2,145 | 8,088 | 10,267 | 880 | 120.04 |
| 2001-2002f | 1,267 | 6.62 | 8,385 | 3,500 | 12,765 | 200 | 2,200 | 9,481 | 11,715 | 850 | 130-135 |
| 2002-2003f | 1,244 | 6.80 | 8,460 | 5,500 | 14,810 | 400 | 2,250 | 11,276 | 13,560 | 850 | 140-170 |
| Oats | | | | | | | | | | | |
| 2000-2001 | 1,299 | 2.61 | 3,389 | 8 | 4,519 | 1,759 | 111 | 1,620 | 1,906 | 854 | 114.49 |
| 2001-2002f | 1,238 | 2.17 | 2,691 | 55 | 3,600 | 1,300 | 150 | 1,592 | 1,925 | 375 | 201.76 |
| 2002-2003f | 1,478 | 2.05 | 3,027 | 5 | 3,406 | 1,400 | 150 | 1,313 | 1,656 | 350 | 185-215 |
| Rye | | | | | | | | | | | |
| 2000-2001 | 115 | 2.27 | 260 | 5 | 426 | 89 | 68 | 175 | 260 | 77 | |
| 2001-2002f | 123 | 1.85 | 228 | 4 | 308 | 65 | 62 | 107 | 183 | 60 | |
| 2002-2003f | 72 | 1.85 | 132 | 5 | 198 | 40 | 45 | 54 | 118 | 40 | |
| Mixed Grains | | | | | | | | | | | |
| 2000-2001 | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002f | 159 | 2.80 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2002-2003f | 134 | 2.89 | 388 | 0 | 388 | 0 | 0 | 388 | 388 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 2000-2001 | 7,181 | 3.39 | 24,327 | 2,925 | 32,924 | 4,592 | 2,683 | 20,709 | 24,056 | 4,277 | |
| 2001-2002f | 6,937 | 3.26 | 22,596 | 3,659 | 30,531 | 3,315 | 2,742 | 20,804 | 24,232 | 2,985 | |
| 2002-2003f | 6,534 | 3.04 | 19,890 | 5,710 | 28,585 | 2,840 | 2,775 | 19,804 | 23,305 | 2,440 | |
| Canola | | | | | | | | | | | |
| 2000-2001 | 4,816 | 1.48 | 7,126 | 224 | 9,507 | 4,838 | 3,013 | 606 | 3,651 | 1,018 | 290.70 |
| 2001-2002f | 3,758 | 1.31 | 4,925 | 250 | 6,193 | 2,511 | 2,293 | 343 | 2,682 | 1,000 | 357.45 |
| 2002-2003f | 3,202 | 1.01 | 3,238 | 250 | 4,488 | 1,800 | 2,000 | 290 | 2,338 | 350 | 410-440 |
| Flaxseed Except Solin | | | | | | | | | | | |
| 2000-2001 | 591 | 1.17 | 693 | 11 | 1,090 | 613 | n/a | n/a | 218 | 259 | 261.03 |
| 2001-2002f | 671 | 1.07 | 715 | 25 | 999 | 605 | n/a | n/a | 234 | 160 | 319.77 |
| 2002-2003f | 674 | 1.05 | 709 | 25 | 894 | 600 | n/a | n/a | 219 | 75 | 375-405 |
| Soybeans | | | | | | | | | | | |
| 2000-2001 | 1,061 | 2.55 | 2,703 | 431 | 3,386 | 747 | 1,697 | 693 | 2,459 | 180 | 256.09 |
| 2001-2002f | 1,070 | 1.50 | 1,605 | 1,000 | 2,785 | 450 | 1,694 | 421 | 2,185 | 150 | 260-270 |
| 2002-2003f | 965 | 2.63 | 2,540 | 400 | 3,090 | 800 | 1,700 | 420 | 2,190 | 100 | 300-330 |
| Total Oilseeds | | | | | | | | | | | |
| 2000-2001 | 6,468 | 1.63 | 10,522 | 666 | 13,983 | 6,199 | 4,710 | 1,299 | 6,328 | 1,457 | |
| 2001-2002f | 5,499 | 1.32 | 7,245 | 1,275 | 9,977 | 3,566 | 3,987 | 765 | 5,101 | 1,310 | |
| 2002-2003f | 4,841 | 1.34 | 6,487 | 675 | 8,472 | 3,200 | 3,700 | 710 | 4,747 | 525 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 2000-2001 | 24,612 | 2.51 | 61,653 | 3,651 | 81,511 | 27,540 | 10,408 | 26,223 | 38,720 | 15,252 | |
| 2001-2002f | 23,021 | 2.19 | 50,408 | 5,031 | 70,691 | 22,101 | 9,774 | 25,956 | 37,845 | 10,745 | |
| 2002-2003f | 20,309 | 2.06 | 41,825 | 6,495 | 59,065 | 16,140 | 9,440 | 24,087 | 35,710 | 7,215 | |

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: **Wheat**: No.1 CWRS and **Durum**: No.1 CWAD - (CWB final price I/S St. Lawrence/Vancouver);

Barley (No.1 Feed, WCE cash I/S, Lethbridge); **Corn** (No.2 CE cash I/S, Chatham); **Oats** (US No. 2 Heavy, CBoT nearby futures);

Canola (No.1 Canada, WCE cash I/S, Vancouver); **Flaxseed** (No.1 CW WCE cash I/S, Thunder Bay); **Soybeans** (No.2, I/S, Chatham).

*July 2002 CWB Pool Return Outlook (PRO) **August 2002 CWB PRO. Prices for No.1 CWRS and No.1 CWAD with 11.5% protein for 2000-01 to 2002-03. This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, August 28, 2002

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



Bi-weekly Bulletin

September 27, 2002 Volume 15 Number 18

WHEAT: 2002-2003 SITUATION AND OUTLOOK

Canadian wheat prices will increase to record levels in 2002-2003, due to higher world prices and tight Canadian supplies. However, all wheat production is estimated to decline significantly from 2001-2002, due to one of the worst droughts on record, which resulted in increased abandonment and lower yields. Canadian wheat exports are forecast to decrease sharply due to lower supplies. World wheat supplies for 2002-2003 are also expected to decrease while consumption increases marginally, and carry-out stocks are forecast to fall sharply. World wheat prices are expected to increase significantly from the 2001-2002 level due to lower production and carry-out stocks in the United States (US), Canada, Australia, and Argentina. However, large exports from the European Union (EU) and minor exporters such as Ukraine, Russia, and India will continue to pressure prices for lower quality wheat. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for wheat for 2002-2003. "Wheat" refers to all wheat including durum, unless otherwise specified.

WORLD

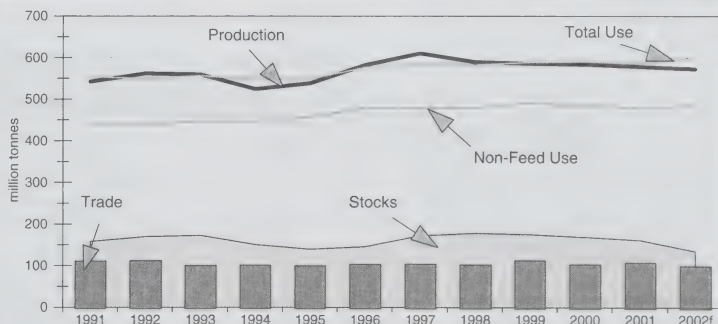
World wheat supplies for 2002-2003 are estimated by the United States Department of Agriculture (USDA) to decrease by about 15 million tonnes (Mt) from 2001-2002, to 734 Mt, due to a combination of lower production and reduced carry-in stocks. This would be the lowest level of supplies since 1996-1997. Carry-in stocks are estimated at 161 Mt, about 7 Mt below 2001-2002. Production is estimated at 573 Mt, versus 579 Mt produced in 2001-2002. Consumption is projected to continue to increase, with non-feed use rising to 487 Mt, the second highest on record, while feed use of wheat is expected to increase to 113 Mt. World carry-out stocks are expected to decline by 16%, to 135 Mt, with the stock-to-use (S/U) ratio falling to 23%, the lowest recorded since 1972-1973. Wheat trade is expected to be about 100 Mt, a decline of 7%, mainly due to reduced imports by the EU, Iran, Brazil and Egypt.

United States

Between 1996 and 2001, area seeded to wheat in the US steadily declined, largely due to the planting flexibility and the high loan rate for soybeans introduced by the *Federal Agricultural Improvement and Reform (FAIR) Act*, resulting in a shift of area into alternate crops such as soybeans and canola. However, due to above average yields, from 1996-1997 to 1999-2000, production exceeded consumption, and carry-out stocks increased steadily,

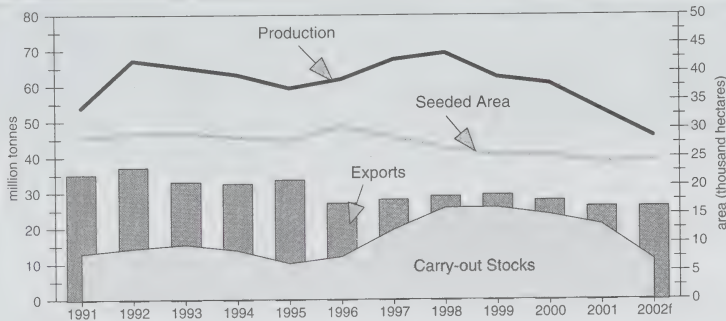
reaching 950 million bushels (Mbu) in 1999-2000, two and a half times those of 1995-1996, and the highest since 1987-1988. The S/U ratio rose to a burdensome 40%, compared to 16% recorded at the end of 1995-1996. Prices steadily declined, as the burdensome stocks loomed over the market, and the average US farm price fell to US\$2.48 per bushel (/bu) in 1999-2000, the lowest since 1986-1987. Since then, stocks have declined and prices have slowly recovered,

WORLD: WHEAT SUPPLY AND DISPOSITION



f: forecast, USDA, September 2002
Source: USDA

US: WHEAT SUPPLY AND DISPOSITION



f: forecast, USDA, September 2002
Source: USDA

reaching US\$2.78/bu in 2001-2002.

For 2002-2003, wheat seeded area increased slightly, the first increase since 1996. Harvested area is forecast to decrease by 2% from 2001-2002, however, due to drought and resultant increased abandonment in the hard red winter (HRW) and hard red spring (HRS) growing regions. Overall wheat yields are forecast to decline by 12% from 2001-2002, to just 35.4 bushels per acre (bu/ac.), the lowest since 1988-1989. The result is an expected reduction in all wheat production by 11% from 2001-2002, to 1.69 billion bushels, the lowest since 1972-1973. A combination of reduced supplies and increased export competition from the EU and minor exporters is expected to reduce US exports marginally, to 950 Mbu. Domestic use is expected to be down marginally from 2001-2002, with lower feed use partly offset by higher human food use. Carry-out stocks are forecast to fall sharply to 407 Mbu, about 47% below 2001-2002, with a S/U ratio of 19%, down from 36% in 2001-2002 and the lowest since 1995-1996. The US S/U ratio is highly correlated with the average US farm price, as shown in the following graph. The average 2002-2003 US farm price is forecast by USDA at US\$3.45-4.05/bu, with the midpoint up by US\$0.97/bu from 2001-2002.

The US has not used the Export Enhancement Program (EEP) since 1995. Instead, the USDA has used credit and food aid programs such as the US Export Credit Guarantee Program (GSM)-102 and Public Law (PL)-480 to stimulate increased exports, and Loan Deficiency

Payments (LDP) and other direct government payments to support farm income. For 2001-2002, about 678 Mbu (35%) of the 2001 wheat crop received an LDP, averaging US\$0.24/bu, versus US\$0.44/bu for 2000-2001. For 2002-2003, LDP are expected to average near-zero due to the significant increase in market prices.

The new *Farm Security and Rural Investment Act* (FSRIA) has retained the LDP and marketing loan program of the 1996 FAIR Act, but has increased the loan rates for wheat and reintroduced target prices. The new national loan rate for wheat for 2002-2003 is US\$2.80/bu, an increase of US\$0.22/bu. This includes the change to individual loan rates by class of wheat. The loan rates for soft red winter (SRW) wheat are actually lower than they were under FAIR in many counties, while the rates for HRW, HRS and durum wheat have increased. The loan rates for HRS

and durum now reflect the premium that these crops receive in the market over other classes of wheat. The 2002-2003 loan rates were announced too late to impact on seeded areas for 2002-2003, but it is expected that the higher support levels will result in higher seeded areas for 2003-2004, particularly for durum wheat.

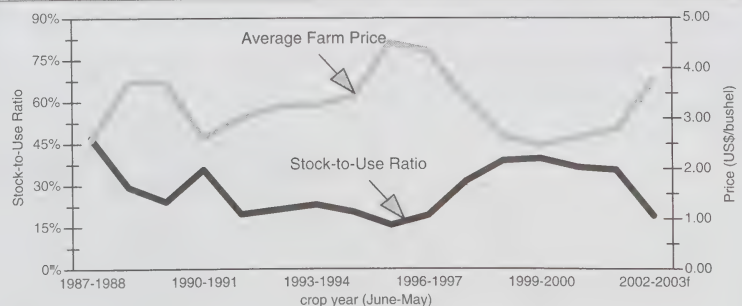
Another feature of the FSRIA has been the reintroduction of a target price, which determines the "counter-cyclical payment". This is US\$3.86/bu for wheat, above both the loan rate and expected actual farm prices. The target price is not county-specific. The payment is calculated as the target price minus the fixed payment minus the higher of the loan rate or the average farm price.

European Union

For 2002-2003, EU wheat area has increased by 9% compared to 2001-2002, when a wet fall in 2000 prevented all intended areas of wheat from being planted. Yields are expected to rise from last year, due to improved growing conditions compared to 2001, when cool wet weather in the north, and dry conditions in the south, reduced yields. This is expected to result in a 14% increase in production for 2002-2003, to a near record 104 Mt. Recent rains, however, have damaged crop quality, particularly in Germany and the UK, where the best quality EU wheat is normally grown.

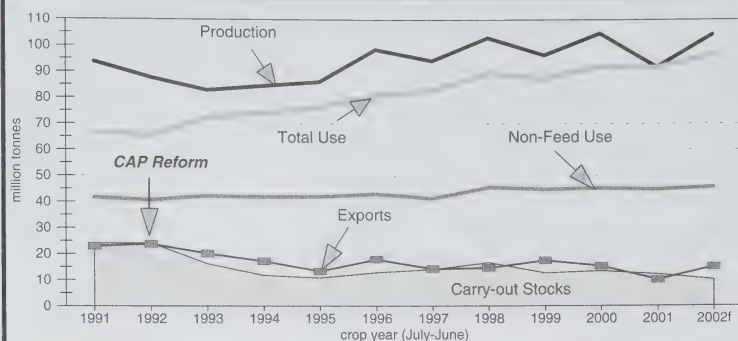
Due to concerns about the availability of sufficient supplies of milling quality wheat and strong domestic demand for feed wheat, the EU was quite restrained with the use of export subsidies in 2001-2002.

US: WHEAT AVERAGE FARM PRICE VERSUS STOCKS-TO-USE-RATIO



f: forecast, USDA, September 2002
Source: USDA

EU: WHEAT SUPPLY AND DISPOSITION



f: forecast, USDA, September 2002
Source: USDA

Total exports in 2001-2002 declined by 34% from the previous year, to only 10 Mt, and export subsidies were not provided until the final seven weeks of the July-June crop year, when small 5 per tonne (t) subsidies were offered. Also as a result of the small crop, the EU became the world's largest wheat importer in 2001-2002, when it imported a record 9 Mt, largely from Eastern European countries such as Ukraine. This is expected to decrease for 2002-2003, due to the record production. Total exports are forecast by USDA to recover by 50%, to 15 Mt, while imports decline by 44%, to a near-normal 5 Mt. Domestic consumption is expected to increase by 5%, to 97 Mt, partly due to increased feed use. Carry-out stocks are forecast to fall by 18% to 10 Mt, with a S/U ratio of about 9%, below the 10-year average of about 15%.

The large supplies will be an incentive for the EU to maximize exports in 2002-2003. Increased EU exports will compete with US wheat in many markets. This will pressure US and world prices. The EU was able to export wheat without subsidy for much of 2001-2002 due to a combination of a lower intervention price, rising world wheat prices and the declining value of the Euro. Under the terms of Agenda 2000, effective July 1, 2000, the intervention price was lowered to 110.25/t, from 119.19/t for 1999-2000 and it was further lowered to 101.31/t on July 1, 2001. However, the euro has appreciated against the US dollar, and as of September 20, 2002, the \$/US\$ exchange rate was 0.983, versus the 2001-2002 average of 0.899. This will make EU wheat less competitive in world

export markets. However, the current forecast for world prices indicates that it is unlikely that significant subsidies will be required. For 2002-2003, the EU cannot 'carry forward' any unused subsidy allotments from previous years, which lowers the EU's ability to use export subsidies. However, in 2002-2003, the EU is allowed to subsidize the export of 14.4 Mt of wheat, meaning that all projected exports could potentially be made with a subsidy.

Australia

Australian 2002-2003 production forecasts are tentative at this time. However, dryness is already a serious concern in many regions, with the return of an El Niño this year expected to exacerbate the dry conditions. Production is forecast by the USDA at 15 Mt, down from 24 Mt in 2001-2002 and the lowest since 1994-1995. Exports are forecast by USDA to decrease by 39%, to 10 Mt (October-September). Recent declines in the expected size of the Australian crop have been a major factor in supporting world wheat prices in recent weeks.

Argentina

As with Australia, production forecasts are tentative, although area seeded is expected to decrease from 2001-2002. The major unknown factor at this time is the impact of this country's economic crisis on the use of crop inputs by farmers. With access to credit limited by the financial difficulties facing the banks, it is possible that the use of crop inputs such as fertilizer and herbicides will be sharply curtailed, reducing average yields. Assuming slightly below normal yields, production is forecast

by USDA to fall by 10%, to 14 Mt. Exports are expected to decline by 22% from 2001-2002, to 9 Mt (December-November), the lowest since 1995-1996.

Eastern Europe

Increased exports of wheat from Eastern Europe, particularly to the EU, became a factor in world wheat markets in 2001-2002, due to a 23% increase in production, which reached 35.2 Mt, the highest since 1991-1992. Exports rose by 79%, to 4.2 Mt, while carry-out stocks are up by 33%, at 6.4 Mt. For 2002-2003, production is estimated to have declined by 14%, to 30.4 Mt. This is partly offset by the higher carry-in stocks, but supplies will be down by 8% from the previous year. As a result, USDA forecasts that Eastern European exports will fall by 33%, to a more normal 2.8 Mt.

India

Indian wheat production is supported by high internal guaranteed prices, and has been steadily increasing, resulting in a sharp buildup of stocks. Production reached a record 76.4 Mt in 2000-2001, before falling back to 68.8 Mt in 2001-2002. Even this exceeded domestic consumption of just over 60 Mt, and stocks continued to rise, reaching a record 27.0 Mt at the end of 2001-2002. Despite the need for subsidies to offset the high domestic price, India became a large net wheat exporter in 2000-2001, exporting 2.4 Mt. This rose to a record 3.0 Mt in 2001-2002. For 2002-2003, production is estimated to have risen by 5%, to 72.0 Mt, and exports are forecast to reach a new record of 5.0 Mt. Stocks would rise to 31.0 Mt, 46% of use. Indian wheat tends to be of low quality, and much has been exported as feed into the southeast Asia market. It does not compete directly with Canadian wheat in any market, but its availability has had a depressing effect on world and thus Canadian prices nonetheless. With stocks becoming increasingly burdensome, it is possible that the Indian government could become aggressive with export subsidies to dispose of the excess supplies. One factor to watch has been the reported failure of the 2002 monsoon, which is affecting potential wheat production. However, it would take a significant decline in production to bring down stocks to a level where India would cease to be a wheat exporter in 2002-2003.

China

China is the world's largest wheat producer, and had been the largest wheat importer in many years, although imports have been small since 1995-1996. Area seeded for 2002-2003 has decreased to the lowest level since the mid 1960s, largely due to lower government support, particularly for lower quality wheat. Also, dry conditions in some of the major winter wheat regions has reduced average yields. For 2002-2003, production is forecast to decrease by 2% from 2001-2002, to 92 Mt, the lowest since 1989-1990. With lower carry-in stocks, supplies are down by 14%, at 130 Mt. However, carry-in stocks remain high, at 37.5 Mt, equal to 33% of use, and as a result imports are not forecast to increase to the 10 Mt or higher levels of the 1980s and early 1990s. Imports are forecast by USDA to fall from 1.3 Mt in 2001-2002 to 1.0 Mt for 2002-2003. Imports from Canada are expected to decline to under 0.5 Mt, due to a shortage of supplies, from 0.8 Mt in 2001-2002.

Over the longer term, increased imports may be required to match the growing wheat demand, which has exceeded production every year since the late 1970s, except for 1997-1998. Changes to China's internal price support and import control policies, as part of China's compliance with World Trade Organization rules, are also expected to increase imports of wheat. China has preferred to hold large wheat stocks as insurance against crop failures or other disruptions that could constrict supplies or force a reliance on wheat imports.

North Africa

The North African countries of Algeria, Morocco, Tunisia, and Libya constitute the world's largest durum market. For 2002-2003, drought conditions have returned to parts of Algeria and Tunisia, and the International Grains Council (IGC) has forecast North African durum production to decrease by 24% from 2001-2002, to 2.6 Mt, slightly below the 5-year average. Durum imports are forecast by IGC to rise by 17% from 2001-2002, to 3.4 Mt. Canadian durum exports to North Africa are projected by Agriculture and Agri-Food Canada (AAFC) to increase to about 2 Mt, compared to 1.7 Mt in 2001-2002.

Middle East

After three years of drought, growing conditions in the Middle Eastern countries, particularly Syria, Iraq, and Iran, have improved in 2002-2003, and wheat production in this region is estimated at 36.3 Mt, up 19% from 2001-2002 and slightly above the 5-year average of 32 Mt. As a result, regional imports are expected to decline by 21% from 2001-2002, to 13 Mt, slightly below the 5-year average. The major Canadian market in this region is Iran, which imported 0.8 Mt of wheat from Canada in 2001-2002. This is expected to fall to near zero in 2002-2003 due to reduced supplies in Canada.

Canada

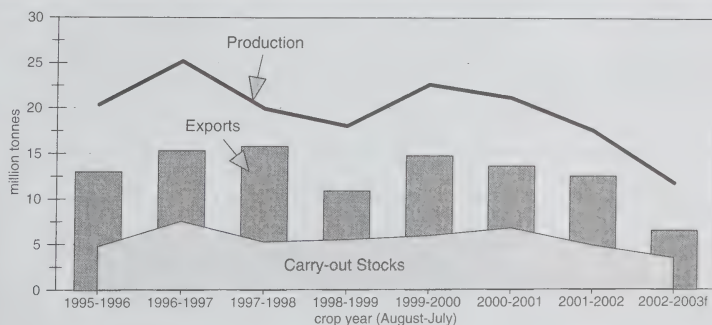
For **non-durum** wheat, area seeded has declined by 7% for 2002-2003, to 8.2 million hectares (Mha), the lowest since 1998-1999, and below the 5-year average of 9.0 Mha. In western Canada, farmers have reduced their areas of spring wheat, shifting it into durum wheat, canola, oats and barley, due to stronger expected

prices for these crops in the spring of 2002.

Large portions of western Canada experienced drought conditions in the summer of 2002, for the second year in a row, with the 2002 drought the most severe ever recorded in many regions. While moisture conditions in Manitoba were good, and southern regions of Alberta and Saskatchewan have improved, northern Alberta and central Saskatchewan remained very dry. So little rain was received in many regions that the wheat crop was largely unharvestable, or it was cut as fodder to replace the diminished hay crop. As a result, the abandonment of non-durum wheat is estimated by Statistics Canada at 16%, versus the normal 2%. Average yields on the remaining area are down by 14%, at 1.77 tonnes/hectare (26 bu/ac), the lowest since 1989-1990. Production of non-durum wheat is estimated at 11.8 Mt, down by 33% from 2001-2002, and the lowest since 1970-1971. Carry-in stocks have fallen by 28% for 2002-2003, and supplies are expected to be 32% lower than for 2001-2002, at 16.7 Mt. Domestic use is forecast to decrease by 5%, due to reduced feed use associated with lower supplies of lower quality wheat and rising off-Board feed prices. Due to lower supplies, exports are forecast to fall by 50%, to just 6.3 Mt, including products, the lowest since 1956-1957, and well below the 5-year average of 13.5 Mt. Excess rain at harvest time has also raised concerns over the quality of the crop, potentially reducing supplies of top quality milling grades even further. The shortage of supplies this year is emphasized by the unprecedented withdrawal of the Canadian Wheat Board (CWB) from the export market, except for Japan, in early September. Until the size and quality of the 2002 crop was better known, the CWB could not commit itself to any further export sales. CWB sales to most markets, except the Canadian domestic market and perhaps Japan, will have to be rationed in 2002-2003. Carry-out stocks are projected to fall by 28%, to 3.5 Mt, the lowest recorded in modern times. Ontario wheat production is, conversely, estimated at 1.34 Mt, up by 9% from 2001-2002, due to reduced winter kill and good yields.

For **durum** wheat, area seeded has risen to 2.5 Mha, 15% higher than 2001-2002, due to good durum price premiums in

CANADA: NON-DURUM WHEAT



^f forecast, AAFC, September 2002
Source: Statistics Canada

2001-2002, and declining stocks. The yield outlook for durum is better than for spring wheat, as production is concentrated in southern Saskatchewan, where more adequate rainfall has been received. Yields are expected to rise by 11% compared to the drought-reduced level of 2001-2002, to 24 bu/ac., and production of durum wheat is estimated at 3.7 Mt, 23% higher than in 2001-2002. Carry-in stocks are down by 43%, at 1.6 Mt, however, more than offsetting the increased production. Supplies are projected to decrease by 9%, to 5.3 Mt. Exports are projected to be relatively unchanged at 3.6 Mt, despite the decreased supplies, due to reduced export competition from the US and Australia. Import demand from North Africa is forecast to increase due to drought in Algeria and Tunisia, which will offset a decrease in imports by the EU. Canadian carry-out stocks are expected to drop by 48%, to 0.85 Mt, which will support the price outlook for durum in 2002-2003.

PRICE OUTLOOK: 2002-2003

For 2002-2003, wheat prices will be supported by the expected decrease in world carry-out stocks, particularly in the US. World wheat prices are most highly correlated with the level of stocks in the major exporting countries (the US, EU, Canada, Australia, and Argentina). Carry-out stocks in the five major exporting countries are forecast to decrease by 21%, to 35.8 Mt, versus the 5-year average of 48 Mt. AAFC forecasts that world prices, as measured by the benchmark US Hard Winter Ordinary (HWO) price, free on board (FOB) Gulf ports, will increase from US\$127/t in 2001-2002 (June-May), to US\$160-170/t for 2002-2003.

United States

The major wheat futures markets are located in the US. The prices determined in US markets generally provide direction to world prices. The prices obtained by the CWB are therefore, in large part, determined by US crop conditions, domestic consumption and exports. US wheat prices are expected to be substantially higher than in 2001-2002, with the average US farm price forecast by USDA to rise by US\$0.97/bu, to US\$3.75/bu (June-May), since carry-out stocks, and the S/U ratio, are expected to be significantly lower than in 2001-2002.

Higher prices are expected for all classes of wheat, particularly HRW and HRS.

For **HRW** wheat, US production is forecast by USDA at only 626 Mbu, down by 18% from 2001-2002, and the S/U ratio is forecast to decline from 45% in 2000-2001 to 24% in 2002-2003. This is expected to result in the average nearby Kansas City Board of Trade HRW price increasing by

37%, to US\$4.00/bu (June-May).

For **HRS** wheat, US production is forecast by the USDA to decrease by 14%, to 407 Mbu, despite a slightly larger seeded area, due to lower yields resulting from dryness in large parts of the growing region. Despite lower supplies, exports are forecast to rise by 34%. Carry-out stocks are forecast to decrease by 62%, to

WORLD: WHEAT SUPPLY AND DISPOSITION

| | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002 | 2002 -2003f |
|-------------------------|--------------------------|---------------|---------------|---------------|----------------|
| |million tonnes..... | | | | |
| PRODUCTION | | | | | |
| EU-15 | 103.1 | 96.4 | 104.8 | 91.7 | 104.4 |
| China | 109.7 | 113.9 | 99.6 | 93.9 | 92.0 |
| Former Soviet Union | 57.6 | 66.1 | 64.8 | 92.9 | 94.8 |
| India | 66.4 | 70.8 | 76.4 | 68.8 | 72.0 |
| US | 69.3 | 62.6 | 60.8 | 53.3 | 45.9 |
| Eastern Europe | 33.9 | 28.2 | 28.7 | 35.2 | 30.4 |
| Australia | 21.5 | 24.8 | 23.8 | 24.0 | 15.0 |
| Canada | 24.1 | 26.9 | 26.8 | 20.6 | 15.4 |
| Argentina | 13.3 | 16.4 | 16.2 | 15.5 | 14.0 |
| Other | <u>90.8</u> | <u>80.1</u> | <u>82.0</u> | <u>82.9</u> | <u>88.7</u> |
| WORLD | 589.7 | 586.2 | 583.9 | 578.8 | 572.6 |
| EXPORTS * | | | | | |
| US | 29.0 | 29.4 | 27.8 | 26.1 | 26.0 |
| Australia | 16.1 | 17.1 | 16.7 | 16.5 | 10.0 |
| EU-15 | 14.6 | 17.4 | 15.2 | 10.0 | 15.0 |
| Canada | 14.4 | 19.4 | 17.4 | 16.1 | 10.1 |
| Argentina | 9.2 | 11.1 | 11.4 | 11.5 | 9.0 |
| Other | <u>18.7</u> | <u>18.4</u> | <u>15.0</u> | <u>27.2</u> | <u>29.6</u> |
| WORLD | 102.0 | 112.8 | 103.5 | 107.4 | 99.7 |
| IMPORTS * | | | | | |
| North Africa | 16.8 | 16.5 | 18.3 | 16.8 | 16.5 |
| Brazil | 7.4 | 7.3 | 7.5 | 7.0 | 6.0 |
| Egypt | 7.5 | 5.9 | 6.1 | 7.0 | 6.0 |
| Japan | 6.0 | 6.0 | 5.9 | 5.8 | 5.8 |
| Iran | 2.6 | 7.4 | 6.2 | 6.0 | 3.0 |
| Indonesia | 3.1 | 3.7 | 4.1 | 4.0 | 4.0 |
| EU-15 | 3.8 | 4.2 | 3.2 | 9.0 | 5.0 |
| China | 0.8 | 1.0 | 0.2 | 1.3 | 1.0 |
| Other | <u>54.0</u> | <u>60.8</u> | <u>52.0</u> | <u>50.5</u> | <u>52.4</u> |
| WORLD | 102.0 | 112.8 | 103.5 | 107.4 | 99.7 |
| CARRY-OUT STOCKS | | | | | |
| Canada (July 31) | 7.4 | 7.7 | 9.5 | 6.5 | 4.4 |
| China (June 30) | 70.1 | 71.4 | 56.5 | 37.5 | 19.5 |
| EU-15 (June 30) | 16.7 | 12.6 | 13.4 | 12.2 | 10.0 |
| India (June 30) | 9.9 | 13.1 | 21.5 | 27.0 | 31.0 |
| US (May 31) | 25.7 | 25.8 | 23.8 | 21.0 | 11.1 |
| Other | <u>48.5</u> | <u>44.8</u> | <u>44.0</u> | <u>57.3</u> | <u>59.4</u> |
| Total | 178.3 | 175.4 | 168.7 | 161.5 | 135.4 |

* Trade data includes products. July-June

f: forecast, USDA and AAFC, September 2002

Source: USDA, except Canada which is Canadian Grain Commission and Statistics Canada

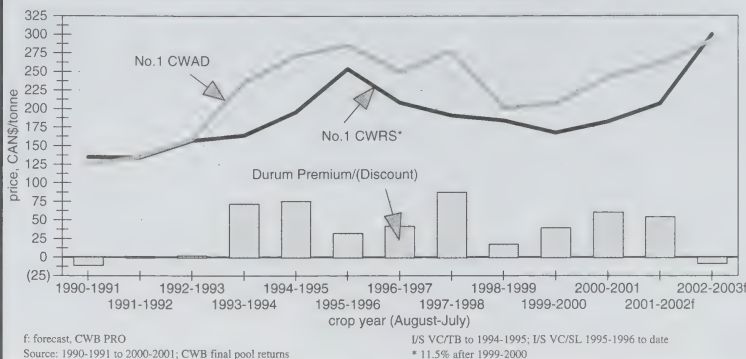
85 Mbu, with the S/U ratio falling from 43% in 2001-2002 to a record low 15%.

For durum wheat, US production is forecast to decrease marginally from 2001-2002, to 80 Mbu, with a lower seeded area partly offset by improved yields. Exports are forecast to decline by 33%, to 35 Mbu. Carry-out stocks are forecast to decline by 15%, to 28 Mbu, with the S/U at 23%, marginally lower than for the previous year. Although durum prices will be pressured by the larger EU crop, and weakening world import demand, prices will be supported by the smaller than expected crop in western Canada, Australia and the US. The No.3 Hard Amber Durum (HAD) export price FOB Gulf is expected to increase from US\$182/t in 2001-2002, to US\$190-200/t (June-May).

Canada

The September CWB 2002-2003 Pool Return Outlook (PRO) for No.1 CWRS with 13.5% protein is \$300/t in-store Vancouver or St. Lawrence (I/S VC/SL), up by \$91/t from 2001-2002. The PRO for No.1 CWRS 11.5% is up by \$93/t from 2001-2002, while the PRO for No.3 CWRS and Canada Prairie Spring (CPS) red wheat are both \$87/t higher than for 2001-2002. The CWB generally receives prices for high protein No.1 and No.2 CWRS wheat that are competitive with US prices for DNS wheat, while lower protein CWRS wheat and CPS wheat are competitive with US HRW wheat. Based on the September PRO, the western Canadian average on-farm price for No.1 CWRS 13.5% protein will be about \$260/t, compared to \$171/t for 2001-2002. The initial payment for No.1 CWRS 13.5% was set at \$155.20/t I/S VC/SL, effective August 1, 2002, which was down by \$14/t from August 1, 2001. The analysis for the August 1 initial payments was done in early July, prior to the increase in prices that resulted from the deterioration of the US, Canadian and Australian crops. The initial payments were adjusted on September 17, with the No.1 CWRS 13.5% protein initial payment set at \$187.20/t I/S VC/SL.

CANADIAN WHEAT BOARD: FINAL REALIZED WHEAT PRICES



In Ontario, the 2002-2003 Ontario Wheat Producers' Marketing Board (OWPMB) August 20, 2002 Projected Pool Returns for No.1 or 2 Canada Eastern White Winter (CEWW) wheat is \$195-205/t, terminal or processor position, about 44% higher than for 2001-2002. The OWPMB initial payment for No.1 CEWW wheat has been set at \$102/t, terminal or processor position, the same as for 2001-2002. As with the CWB, the analysis for the OWPMB initial payments was done before the price increases seen in July, and the OWPMB has approached the Federal Government for approval to raise their initial payments.

The 2002-2003 September PRO for No.1 Canada Western Amber Durum (CWAD) with 12.5% protein is \$296/t I/S VC/SL, up by \$31/t from 2001-2002. A discount of \$8/t over No.1 CWRS 12.5% is forecast, versus a premium of \$54/t in 2001-2002. A western Canadian average on-farm price of about \$251/t for No.1 CWAD 12.0% is expected, compared to \$222/t in 2001-2002. The initial payment for No.1 CWAD 12.5% was set at \$175/t I/S VC/SL, effective August 1, 2002, up by \$6/t from August 1, 2001. As with non-durum wheat, the initial payments were raised effective September 17, with that for No.1 CWAD 12.5% now at \$195/t I/S VC/SL.

For more information, please contact:

Glenn Lennox,
Wheat Analyst
Phone (204) 983-8465
E-mail: lennoxg@agr.gc.ca

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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Canadian Wheat Board, Market and Industry Services Branch (AAFC)



CANADA: GRAINS AND OILSEEDS OUTLOOK

SEPTEMBER 26, 2002

Total production of grains and oilseeds is estimated to decrease by 17% from 2001-02 to 41.8 million tonnes (Mt), based on the Statistics Canada's (STC) July 31 production survey. The next STC production estimate will be released on October 4. In western Canada, due to one of the worst droughts on record across the central and northern regions of Saskatchewan and Alberta, crop abandonment is sharply higher, and yields significantly lower than normal. In eastern Canada, average yields for soybeans, and corn to a much lesser extent, are expected to increase from 2001-02. Total Canadian carry-in stocks of all grains and oilseeds for 2002-03 are also significantly below 2001-02 based on STC data, except for corn and soybeans, which are AAFC forecasts. Domestic supplies are therefore expected to be significantly below last year. Wheat exports are projected to fall to the lowest level in almost half a century while corn imports are forecast to increase to a record high level. Total exports of grains and oilseeds are forecast to fall to a modern-day low of about 16 Mt, as lower exports of non-durum wheat, barley and canola more than offset higher exports of corn, oats, flaxseed and soybeans.

For 2002-03, US and world grain and oilseed prices are expected to increase significantly from 2001-02 levels, due to lower US and world ending stocks. In Canada, the prices for grains and oilseeds are also expected to increase. The major factors to watch are: the extent of drought in the major importing and exporting regions of the world, the size and aggressiveness of the EU export program, the competitiveness of non-traditional exporters of wheat and coarse grains, uncertainty regarding China's import policy on GMO products and the Canada/US exchange rate.

WHEAT (ex-durum)

Production for 2002-03 is estimated by STC to fall by 33%, to 11.8 Mt, the lowest since 1970-71. Carry-in stocks are down by 28%, at 4.9 Mt, so that total supplies are 32% below 2001-02, at 16.7 Mt. Exports are projected to drop by 50%, to only 6.3 Mt, the lowest since 1956-57. Feed use in 2002-03 is expected to decline due to reduced supply and high prices. Carry-out stocks are forecast to fall by 28% from 2001-02, to 3.5 Mt, the lowest in over 40 years. The Canadian Wheat Board (CWB) September Pool Return Outlook (PRO) for No.1 CWSR 11.5% protein is \$300/t, in-store Vancouver/St. Lawrence (1/S VC/SL), vs. \$207/t for 2001-02. Ontario winter wheat production is up by 10%, to 1.16 Mt, due to lower abandonment and good yields. The Ontario Wheat Producers' Marketing Board projected pool returns for No.1 CEWW wheat are \$195-205/t, terminal or processor position, an increase of 44% from 2001-02.

DURUM

Durum production has been less affected by the 2002 drought, as it is concentrated in the southern Prairies, where precipitation was more adequate. Production is up by 23% from the drought-reduced 2001-02 crop, at 3.7 Mt, but this remains well below the 5-year average of 4.7 Mt. However, the increase is more than offset by a 43% drop in carry-in stocks, so that supplies are 9% lower than in 2001-02. Despite the lower supplies, exports are forecast to be relatively unchanged from 2001-02, due to less competition from the US and Australia. Carry-out stocks are projected to fall by almost 50%, to 0.85 Mt, vs. the 5-year average of 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$292/t, 1/S VC/SL, vs. \$261/t for 2001-02.

BARLEY

Barley production is forecast to fall to the lowest level since 1968. Average yields are

the lowest in 30 years and the rate of abandonment is the highest on record due to widespread crop failure and a shortage of fodder. Feed use is expected to decline due to lower barley supplies. Malting barley exports are forecast to fall to a ten year low due to low barley supplies and high domestic feed grain prices. Feed barley exports are projected to be negligible. Carry-out stocks are forecast to decline to the lowest level of modern times. Off-Board feed barley prices are expected to increase as a result of the shortage of barley supplies and stronger US corn prices. The CWB PRO for No.1 CW Feed Barley is \$187/t vs. \$180/t for 2001-02 and the PRO for Special Select Two Row Designated Barley is \$243/t vs. \$209/t for 2001-02.

OATS

Production is forecast to rise from 2001-02 due to higher seeded area. However, the rate of abandonment is expected to reach the highest level on record due to strong demand for fodder and crop failure in many areas. Supplies are expected to decrease because of lower carry-in stocks. Exports are forecast to be similar to 2001-02. Carry-out stocks are expected to remain very low and prices are forecast to be similar to 2001-02, at \$190-220/t.

CORN

Corn production is forecast to increase slightly from 2001-02. Imports are expected to set a new record of 5.5 Mt. Imports into western Canada are projected to double due to the sharply lower barley production, while imports into eastern Canada are forecast to remain strong. Feed use is expected to rise, especially in western Canada. Chatham corn prices are forecast to climb to \$140-170/t due to higher US corn prices.

CANOLA

Production is expected to decrease sharply from 2001-02, to 3.2 Mt, due to lower yields and a high abandonment rate.

Despite higher carry-in stocks, total supplies are expected to decline by 25%. Exports are forecast to fall by 24%, to 1.9 Mt, the lowest level since 1987-88. Domestic crush is expected to fall by 8%, to 2.1 Mt, the lowest level since 1992-93. Carry-out stocks are forecast to fall by 69% to historically very low levels. Prices are expected to rise sharply to \$430-460/t, due to a combination of higher world vegetable oil prices and lower canola supplies.

FLAXSEED (excluding solin)

Production is expected to decrease marginally due to lower yields, but supplies are forecast to decrease more significantly due to sharply lower carry-in stocks. Domestic use is forecast to increase slightly. Exports are also forecast to increase slightly due to strong EU demand. Carry-out stocks are expected to decline by 60%, and prices are expected to increase to \$385-415/t.

SOYBEANS

Production is forecast to rise sharply to 2.5 Mt, due to a major increase in yields. Domestic supplies are expected to increase by about 50%. Imports are forecast to fall by 60%, but exports are expected to increase sharply to 0.8 Mt, which is near the 5-year average. Domestic crush is projected to be unchanged at a near-record high 1.7 Mt. Chatham soybean prices are forecast to increase to \$300-330/t due largely to higher US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-maillennoxg@agr.gc.ca
Coarse Grains..Dennis Jackson 983-8461
E-mailjacksond@agr.gc.ca
Oilseeds.....Stan Spak983-8467
E-mailspaks@agr.gc.ca
Fred Oleson, Chief983-0807
E-mailolesonf@agr.gc.ca

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

SEPTEMBER 26, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 2000-2001 | 2,614 | 2.16 | 5,647 | 10 | 7,432 | 3,487 | 255 | 612 | 1,074 | 2,872 | 242.61 |
| 2001-2002 | 2,036 | 1.47 | 2,987 | 12 | 5,871 | 3,627 | 242 | 136 | 615 | 1,629 | 261 * |
| 2002-2003f | 2,266 | 1.62 | 3,680 | 10 | 5,319 | 3,600 | 250 | 389 | 869 | 850 | 292 * |
| Wheat Except Durum | | | | | | | | | | | |
| 2000-2001 | 8,349 | 2.53 | 21,157 | 50 | 27,131 | 13,623 | 2,760 | 3,116 | 6,722 | 6,786 | 182.41 |
| 2001-2002 | 8,550 | 2.06 | 17,581 | 85 | 24,451 | 12,513 | 2,859 | 3,436 | 7,080 | 4,859 | 207 * |
| 2002-2003f | 6,668 | 1.76 | 11,768 | 100 | 16,727 | 6,300 | 2,850 | 3,222 | 6,927 | 3,500 | 300 * |
| All Wheat | | | | | | | | | | | |
| 2000-2001 | 10,963 | 2.44 | 26,804 | 60 | 34,564 | 17,110 | 3,015 | 3,728 | 7,796 | 9,658 | |
| 2001-2002 | 10,585 | 1.94 | 20,568 | 97 | 30,322 | 16,140 | 3,101 | 3,572 | 7,695 | 6,488 | |
| 2002-2003f | 8,935 | 1.73 | 15,448 | 110 | 22,046 | 9,900 | 3,100 | 3,611 | 7,796 | 4,350 | |
| Barley | | | | | | | | | | | |
| 2000-2001 | 4,551 | 2.96 | 13,468 | 40 | 16,346 | 2,641 | 358 | 10,420 | 11,189 | 2,516 | 128.85 |
| 2001-2002 | 4,150 | 2.61 | 10,846 | 108 | 13,470 | 1,746 | 317 | 8,978 | 9,730 | 1,993 | 158.60 |
| 2002-2003f | 3,606 | 2.19 | 7,883 | 200 | 10,076 | 900 | 320 | 6,976 | 7,776 | 1,400 | 175-205 |
| Corn | | | | | | | | | | | |
| 2000-2001 | 1,088 | 6.27 | 6,827 | 2,872 | 11,251 | 104 | 2,145 | 8,088 | 10,267 | 880 | 120.04 |
| 2001-2002 | 1,267 | 6.62 | 8,385 | 3,700 | 12,965 | 200 | 2,200 | 9,681 | 11,915 | 850 | 132.90 |
| 2002-2003f | 1,244 | 6.80 | 8,460 | 5,500 | 14,810 | 400 | 2,250 | 11,276 | 13,560 | 850 | 140-170 |
| Oats | | | | | | | | | | | |
| 2000-2001 | 1,299 | 2.61 | 3,389 | 8 | 4,519 | 1,760 | 110 | 1,627 | 1,906 | 854 | 114.49 |
| 2001-2002 | 1,238 | 2.17 | 2,691 | 53 | 3,598 | 1,461 | 129 | 1,435 | 1,771 | 365 | 201.76 |
| 2002-2003f | 1,478 | 2.05 | 3,027 | 5 | 3,397 | 1,475 | 150 | 1,204 | 1,572 | 350 | 190-220 |
| Rye | | | | | | | | | | | |
| 2000-2001 | 115 | 2.27 | 260 | 5 | 426 | 89 | 68 | 175 | 260 | 77 | |
| 2001-2002 | 123 | 1.85 | 228 | 4 | 309 | 62 | 39 | 144 | 198 | 49 | |
| 2002-2003f | 72 | 1.85 | 132 | 5 | 186 | 40 | 32 | 56 | 106 | 40 | |
| Mixed Grains | | | | | | | | | | | |
| 2000-2001 | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002 | 159 | 2.80 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2002-2003f | 134 | 2.89 | 388 | 0 | 388 | 0 | 0 | 388 | 388 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 2000-2001 | 7,181 | 3.39 | 24,327 | 2,925 | 32,924 | 4,594 | 2,681 | 20,692 | 24,004 | 4,327 | |
| 2001-2002 | 6,937 | 3.26 | 22,596 | 3,865 | 30,787 | 3,469 | 2,685 | 20,684 | 24,061 | 3,257 | |
| 2002-2003f | 6,534 | 3.04 | 19,890 | 5,710 | 28,857 | 2,815 | 2,752 | 19,900 | 23,402 | 2,639 | |
| Canola | | | | | | | | | | | |
| 2000-2001 | 4,816 | 1.48 | 7,126 | 224 | 9,507 | 4,859 | 3,013 | 517 | 3,561 | 1,088 | 290.70 |
| 2001-2002 | 3,765 | 1.31 | 4,926 | 225 | 6,239 | 2,512 | 2,293 | 187 | 2,512 | 1,215 | 357.45 |
| 2002-2003f | 3,202 | 1.01 | 3,238 | 250 | 4,703 | 1,900 | 2,100 | 283 | 2,428 | 375 | 430-460 |
| Flaxseed excluding Solin | | | | | | | | | | | |
| 2000-2001 | 591 | 1.17 | 693 | 11 | 1,090 | 613 | n/a | n/a | 218 | 259 | 261.03 |
| 2001-2002 | 662 | 1.08 | 715 | 24 | 998 | 609 | n/a | n/a | 200 | 189 | 319.77 |
| 2002-2003f | 674 | 1.05 | 709 | 25 | 923 | 625 | n/a | n/a | 223 | 75 | 385-415 |
| Soybeans | | | | | | | | | | | |
| 2000-2001 | 1,061 | 2.55 | 2,703 | 431 | 3,386 | 747 | 1,697 | 693 | 2,459 | 180 | 256.09 |
| 2001-2002 | 1,070 | 1.53 | 1,633 | 1,000 | 2,813 | 450 | 1,694 | 421 | 2,185 | 178 | 269.01 |
| 2002-2003f | 1,019 | 2.50 | 2,548 | 400 | 3,126 | 800 | 1,700 | 420 | 2,190 | 136 | 300-330 |
| Total Oilseeds | | | | | | | | | | | |
| 2000-2001 | 6,468 | 1.63 | 10,522 | 666 | 13,983 | 6,219 | 4,710 | 1,210 | 6,237 | 1,527 | |
| 2001-2002 | 5,497 | 1.32 | 7,274 | 1,249 | 10,050 | 3,571 | 3,987 | 608 | 4,897 | 1,582 | |
| 2002-2003f | 4,895 | 1.33 | 6,495 | 675 | 8,752 | 3,325 | 3,800 | 703 | 4,841 | 586 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 2000-2001 | 24,612 | 2.51 | 61,653 | 3,651 | 81,471 | 27,923 | 10,406 | 25,630 | 38,037 | 15,512 | |
| 2001-2002 | 23,020 | 2.19 | 50,438 | 5,211 | 71,160 | 23,180 | 9,773 | 24,864 | 36,653 | 11,327 | |
| 2002-2003f | 20,364 | 2.05 | 41,833 | 6,495 | 59,654 | 16,040 | 9,652 | 24,214 | 36,039 | 7,575 | |

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver); Barley (No.1 Feed, WCE cash I/S, Lethbridge); Corn (No.2 CE cash I/S, Chatham); Oats (US No. 2 Heavy, CBoT nearby futures); Canola (No.1 Canada, WCE cash I/S, Vancouver); Flaxseed (No.1 CW WCE cash I/S, Thunder Bay); Soybeans (No.2, I/S, Chatham).

* - CWB PRO: September 26, 2002. Prices for No.1 CWRS and No.1 CWAD with 11.5% protein for 2000-01 to 2002-03.

This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, September 26, 2002

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

SEPTEMBER 26, 2002

Production of pulse and special crops for 2002-03 is forecast by AAFC to decrease by 14%, compared to 2001-02, to 3.15 million tonnes (Mt), based on Statistics Canada's (STC) July 31 production estimate for dry peas and AAFC's estimate for other pulse and special crops. The next STC production estimate will be released on October 4. Total supply is expected to decrease by 15% because of lower production and carry-in stocks. Carry-out stocks for 2001-02 increased from 2000-01 for dry peas, but decreased sharply for lentils, mustard seed, canary seed and sunflower seed, based on STC's July 31 estimates. The same report also revised upwards the 2000-01 carry-out stocks for lentils, mustard seed and sunflower seed. Total exports, domestic use and carry-out stocks for 2002-03 are forecast to decrease due to lower supply. Average prices, compared to 2001-02, are forecast to increase for dry peas, lentils, chick peas and sunflower seed, but decrease for dry beans, mustard seed and canary seed, and to be stable for buckwheat. However, prices are expected to be very sensitive to any production problems in major producing areas of the world, due to low world carry-in stocks.

For dry peas, lentils, chick peas, mustard seed and canary seed, average yields are forecast to be lower and abandonment rates higher than normal because a large portion of these crops are grown in the areas of Saskatchewan and Alberta which had drought during the growing period, and because of damage from frost, grasshoppers and excessive moisture in some of the wetter areas. The average quality of the dry pea, lentil and chick pea crops is expected to be lower than in 2001-02 because of significant damage from frost and rain. Therefore, price spreads between the grades for these crops are expected to widen because of the lower average quality. For dry beans, sunflower seed and buckwheat, near normal yields and abandonment rates are forecast because these crops are mostly grown in areas with better moisture conditions. Harvest progress is behind normal because of wet weather in many areas. The main factor to watch is weather during the rest of the harvest period.

DRY PEAS

For 2002-03, production is estimated to decrease by 23% from 2001-02, due to lower seeded area, higher abandonment and lower yields. Total supply is forecast to decrease by 17%, as lower production is partly offset by higher carry-in stocks. Total world supply is expected to decrease by 7% to 10.2 Mt. Canadian exports and domestic use are forecast to decrease, due to the lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, grades and markets, is forecast to increase by about 10%, as compared to 2001-02, due to the lower supply.

LENTILS

Production is forecast to decrease by 13%, due to lower seeded area. Production is expected to remain stable for large green lentils, but decrease for medium green, small green and red lentils. Total supply is forecast to decrease by 24%, due to lower production and carry-in stocks. Total world supply is expected to decrease by 5% to 3.5 Mt. Canadian exports are expected to decrease due to the lower supply. Carry-out stocks are forecast to decrease to a very low level. The average price, over all types and grades, is forecast to increase by about 15%, due to the lower supply.

DRY BEANS

Production is forecast to increase by 27%, due to an increase in seeded area. Production of white pea, dark and light red kidney, cranberry, black, pink and pinto beans is expected to increase, while production of small red and Great Northern beans decreases. Total supply is expected to increase by only 7% because of lower imports and carry-in stocks. Exports are forecast to be similar to 2001-02 and carry-out stocks are expected to increase, with a stocks-to-use (s/u) ratio of 10%. US production is expected to increase by 45% to 1.18 Mt. Total US and Canadian supply is expected to increase by only

18% to 1.68 Mt, due to lower carry-in stocks. Average prices are expected to be lower than in 2001-02, except for Great Northern beans, for which prices are expected to be higher. The average price, over all classes and grades, is forecast to decrease by about 25% because of increased supply.

CHICK PEAS

Production is forecast to decrease by 54%, due to a decrease in seeded area. Production is expected to decrease for all three types, large kabuli, small kabuli and desi. Total Canadian supply is forecast to decrease by 31%, as higher carry-in stocks partly offset the decline in production. Total world supply is expected to fall by about 6% to 7.8 Mt. Canadian exports are forecast to be similar to 2001-02. Carry-out stocks are forecast to decrease to a very low level. The average price over all types, sizes and grades is forecast to increase by about 5%.

MUSTARD SEED

Production is forecast to increase by 88%, due to higher seeded area. Production is expected to increase for all three types, yellow, brown and oriental. Total supply is forecast to increase only slightly, due to sharply lower carry-in stocks. Canadian exports are expected to increase slightly. Carry-out stocks are forecast to be low, with a s/u ratio of 15%. Average prices are expected to be lower than in 2001-02 for the yellow type because of expected increased supply in Canada and the US, but similar to 2001-02 for the brown type and higher for the oriental type. The average price, over all types and grades, is forecast to decrease by about 25%.

CANARY SEED

Production is forecast to increase by 71%, due to higher seeded area. Total supply is forecast to increase by only 20%, due to lower carry-in stocks. Total world supply is forecast to increase by 17% to 270,000 t. Canadian exports are

expected to increase, because of the higher supply. Carry-out stocks are forecast to remain low, with a s/u ratio of 16%. The average price is forecast to decrease by 10-15% because of increased supply.

SUNFLOWER SEED

Production is forecast to increase by 44%, due mainly to higher seeded area. Production is expected to increase for both confectionary and oilseed types. Total supply is forecast to increase by only 4% because of lower carry-in stocks. Exports and domestic use are expected to increase. Carry-out stocks are forecast to be low, with a s/u ratio of 12%. Total world supply is expected to increase by 7% to 23.9 Mt. Total US and Canadian supply of the confectionary type is expected to decrease significantly and prices for the confectionary type are expected to rise. However, for the oilseed type, although North American supply is expected to decrease slightly, world supplies are expected to increase and prices are expected to be similar to 2001-02. The average price in Canada, is forecast to increase by 10-15% because of the stronger prices for the confectionary type.

BUCKWHEAT

Production is forecast to decrease by 11%, as a 24% decrease in seeded area is partly offset by higher yields. Total use is forecast to remain stable. The average price over all grades and markets is forecast to be similar to 2001-02, in line with stable world total supply of about 3.4 Mt.

FURTHER INFORMATION:

Stan Skrypetz (204) 983-8972

E-mail skrypetzs@agr.gc.ca

Fred Oleson, Chief (204) 983-0807

E-mail olesonf@agr.gc.ca

www.agr.gc.ca/mad/dam/

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

SEPTEMBER 26, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Carry-out Stocks | Average Price (e) \$/t |
|---|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|---------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,682 | 1,705 | 602 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 | 1,220 | 2.35 | 2,864 | 12 | 3,276 | 2,196 | 885 | 195 | 138 |
| 2001-2002 | 1,290 | 1.57 | 2,023 | 30 | 2,248 | 1,400 | 573 | 275 | 190 |
| 2002-2003f | 1,082 | 1.44 | 1,553 | 30 | 1,858 | 1,200 | 558 | 100 | 190-220 |
| Lentils | | | | | | | | | |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 | 688 | 1.33 | 914 | 5 | 999 | 475 | 268 | 256 | 295 |
| 2001-2002 | 669 | .85 | 568 | 6 | 830 | 500 | 199 | 131 | 320 |
| 2002-2003f | 555 | .89 | 495 | 5 | 631 | 440 | 171 | 20 | 355-385 |
| Dry Beans | | | | | | | | | |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 | 165 | 1.62 | 268 | 40 | 348 | 227 | 71 | 50 | 465 |
| 2001-2002 | 164 | 1.70 | 279 | 40 | 369 | 280 | 69 | 20 | 725 |
| 2002-2003f | 215 | 1.65 | 355 | 20 | 395 | 280 | 80 | 35 | 525-555 |
| Chick Peas | | | | | | | | | |
| 1998-1999 | 40 | 1.33 | 53 | 2 | 56 | 14 | 37 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 | 283 | 1.37 | 388 | 5 | 408 | 179 | 199 | 30 | 410 |
| 2001-2002 | 460 | .97 | 447 | 12 | 489 | 190 | 179 | 120 | 380 |
| 2002-2003f | 200 | 1.02 | 205 | 10 | 335 | 190 | 135 | 10 | 380-410 |
| Mustard Seed | | | | | | | | | |
| 1998-1999 | 279 | .86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 | 208 | .97 | 202 | 1 | 318 | 151 | 62 | 105 | 280 |
| 2001-2002 | 156 | .67 | 104 | 3 | 212 | 145 | 34 | 33 | 685 |
| 2002-2003f | 275 | .71 | 195 | 1 | 229 | 150 | 49 | 30 | 500-530 |
| Canary Seed | | | | | | | | | |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 | 164 | 1.04 | 171 | 0 | 261 | 170 | 21 | 70 | 265 |
| 2001-2002 | 158 | .66 | 105 | 0 | 175 | 125 | 20 | 30 | 660 |
| 2002-2003f | 260 | .69 | 180 | 0 | 210 | 150 | 30 | 30 | 560-590 |
| Sunflower Seed | | | | | | | | | |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 | 69 | 1.72 | 119 | 18 | 178 | 77 | 55 | 46 | 320 |
| 2001-2002 | 67 | 1.55 | 104 | 30 | 180 | 90 | 68 | 22 | 355 |
| 2002-2003f | 95 | 1.58 | 150 | 15 | 187 | 95 | 72 | 20 | 385-415 |
| Buckwheat | | | | | | | | | |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 | 15 | .93 | 14 | 1 | 16 | 9 | 7 | 0 | 305 |
| 2001-2002 | 13 | 1.15 | 15 | 1 | 16 | 8 | 7 | 1 | 325 |
| 2002-2003f | 11 | 1.18 | 13 | 1 | 15 | 8 | 7 | 0 | 310-340 |
| Total Pulse And Special Crops(c) | | | | | | | | | |
| 1998-1999 | 2,156 | 1.70 | 3,660 | 109 | 4,301 | 2,634 | 1,036 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 | 2,812 | 1.76 | 4,940 | 82 | 5,804 | 3,484 | 1,568 | 752 | |
| 2001-2002 | 2,977 | 1.22 | 3,645 | 122 | 4,519 | 2,738 | 1,149 | 632 | |
| 2002-2003f | 2,693 | 1.17 | 3,146 | 82 | 3,860 | 2,513 | 1,102 | 245 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, September 26, 2002.

Source: Statistics Canada and industry consultations.

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | | As of Monday September 23, 2002 | | | | | | | | | |
|---|------------------|-------------|-----------|------------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|---------------------------------|--|--|--|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | | | | | | | | | | |
| Vancouver B.C. | This week | FOB | 213.16 | N/A | 213.16 | 205.00 | | 358.50 | (7) 246.00 | 185.00 | 335.00 | (4) 900.00 | 510.00 | | | | 420.00 | | | | | | | | | | |
| | Week ago | | 213.16 | N/A | 213.16 | 212.00 | | 368.75 | (7) 250.00 | 185.00 | 335.00 | (4) 900.00 | 510.00 | | | | 420.00 | | | | | | | | | | |
| Calgary | This week | FOB | 190.00 | N/A | 190.00 | 195.00 | | 350.50 | N/A | | 295.00 | (4) 950.00 | 545.00 | | | | 420.00 | | | | | | | | | | |
| | Week ago | | 190.00 | N/A | 190.00 | 204.00 | | 352.50 | N/A | | 295.00 | (4) 950.00 | 545.00 | | | | 420.00 | | | | | | | | | | |
| Saskatoon | This week | FOB | 177.50 | 220.00 | 178.00 | 190.00 | | 342.00 | 225.00 | | 295.00 | (4) N/A | 545.00 | | 188.33 | | 450.00 | | | | | | | | | | |
| Sask. | Week ago | | 179.00 | 240.00 | 180.00 | 195.00 | | 346.50 | 235.00 | | 295.00 | (4) N/A | 545.00 | | 188.33 | | 450.00 | | | | | | | | | | |
| Melfort | This week | FOB | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | | | | | |
| Sask. | Week ago | | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 180.00 | (9) 195.00 | 178.00 | 179.00 | | 325.50 | 215.00 | | 320.00 | (4) 912.50 | 450.00 | | | | 450.00 | | | | | | | | | | |
| | Week ago | | | | | | | 333.00 | 225.00 | | 320.00 | (4) 912.50 | 450.00 | | | | 450.00 | | | | | | | | | | |
| Man. | This week | In-store | (8)178.20 | N/A | (8) 186.20 | 189.00 | | | | | | | | | | | | | | | | | | | | | |
| Thunder Bay | This week | In-store | (8)181.40 | N/A | (8) 187.40 | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | 170.76 | | | | | | | | | | | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 178.69 | | | | | | | | | | | | | | | | | | | | | |
| Bay Ports | This week | In-store | 205.20 | 320.00 | N/A | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | 208.40 | 320.00 | N/A | | | | | | | | | | | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 169.18 | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Toronto | This week | N/A | | | | 179.62 | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hamilton | This week | N/A | | | | | | 335.43 | N/A | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | 335.87 | N/A | | | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 170.50 | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 172.50 | | | | | | | | | | | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Que. | Week ago | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Trois-Riv. | This week | In-store | 225.20 | | 238.00 | 187.69 | | | | | | | | | | | | | | | | | | | | | |
| Que. | Week ago | | 228.40 | | 239.50 | 193.79 | | | | | | | | | | | | | | | | | | | | | |
| St-Jean Que. | This week | FOB | 186.07 | 205.00 | 150.00 | (2) 183.36 | | | | | | | | | | | | | | | | | | | | | |
| St-Hyacinthe,Que. | Week ago | | 187.80 | 203.75 | 154.13 | (2) 187.49 | | | | | | | | | | | | | | | | | | | | | |
| Quebec | This week | In-store | 205.13 | | 218.67 | 187.29 | FOB | 351.60 | | | | | | | | | | | | | | | | | | | |
| Que. | Week ago | | 207.27 | | 220.17 | 196.02 | | 352.77 | | | | | | | | | | | | | | | | | | | |
| Truro | This week | Track | 239.22 | N/A | 248.97 | 226.08 | FOB | 379.58 | 282.36 | | | | | | | | | | | | | | | | | | |
| N.S. | Week ago | | 238.69 | 283.46 | 248.52 | 228.59 | | 381.23 | 284.12 | | | | | | | | 400.00 | | | | | | | | | | |
| Truro | This week | Water | 245.20 | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | | | | |
| N.S. | Week ago | & Truck | 246.10 | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | | | | |
| Halifax | This week | In-store | 236.20 | N/A | N/A | N/A | FOB | | | | | | | | | | | | | | | | | | | | |
| N.S. | Week ago | | 237.10 | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | | | | |
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Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5845 as of September 23, 2002

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Fish Meal white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday September 23, 2002

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|------------|---------------|---------------|
| From: Thunder Bay 2 | In-Store | WHEAT | 178.20 | 181.40 | | 178.50 | 145.40 |
| CBOT | | OATS | N/A | N/A | | N/A | 209.01 |
| LETHBRIDGE | | BARLEY | 186.20 | 187.40 | | 190.70 | 157.10 |
| To: Bayports, Ont. | In-store | WHEAT | 201.30 | 204.50 | 1. | 201.60 | 168.50 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 213.35 | 214.55 | 1. | 217.85 | 184.25 |
| Montreal, Que. | In-store | WHEAT | 206.05 | 209.25 | 1. | 206.35 | 173.25 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 218.47 | 219.67 | 1. | 222.97 | 189.37 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 228.52 | 231.72 | | 228.82 | 195.72 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 244.83 | 246.03 | | 249.33 | 215.73 |
| Truro, N.S. | Truck via Halifax | WHEAT | 226.02 | 229.22 | | 226.32 | 193.22 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 239.95 | 241.15 | | 244.45 | 210.85 |
| Halifax, N.S. | In-store | WHEAT | 213.35 | 216.55 | 1. | 213.65 | 180.55 |
| | | OATS | N/A | N/A | 1.0 | N/A | N/A |
| | | BARLEY | 226.27 | 227.47 | 1.0 | 230.77 | 197.17 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 273.13 | 276.33 | | 273.43 | 240.33 |
| | | OATS | N/A | N/A | | N/A | 315.21 |
| | | BARLEY | 293.34 | 294.54 | | 297.84 | 264.24 |
| From: Melfort, Sask. | FOB | WHEAT | N/A | N/A | | N/A | 147.40 |
| | | OATS | N/A | N/A | | N/A | 190.87 |
| | | BARLEY | N/A | N/A | | N/A | 143.10 |
| To: Bayports, Ont. | Track | WHEAT | N/A | N/A | | N/A | 203.52 |
| | | OATS | N/A | N/A | | N/A | 249.74 |
| | | BARLEY | N/A | N/A | | N/A | 196.49 |
| Montreal, Que. | Track | WHEAT | N/A | N/A | | N/A | 204.27 |
| | | OATS | N/A | N/A | | N/A | 250.64 |
| | | BARLEY | N/A | N/A | | N/A | 197.31 |
| Moncton, N.B. | Track | WHEAT | N/A | N/A | | N/A | 225.45 |
| | | OATS | N/A | N/A | | N/A | 273.98 |
| | | BARLEY | N/A | N/A | | N/A | 209.42 |
| Truro, N.S. | Track | WHEAT | N/A | N/A | | N/A | 225.62 |
| | | OATS | N/A | N/A | | N/A | 274.95 |
| | | BARLEY | N/A | N/A | | N/A | 223.04 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | N/A | N/A | | N/A | 268.96 |
| | | OATS | N/A | N/A | | N/A | 322.33 |
| | | BARLEY | N/A | N/A | | N/A | 271.33 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|------------|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 170.76 | 178.69 | | 170.58 | 133.70 |
| To: Montreal, Que. (US Corn) | In-store | | 189.66 | 197.59 | 1.0 | 189.48 | 152.60 |
| From: Chicago (Mi) | Track | | 164.57 | 174.64 | | 166.90 | 121.34 |
| To: Montreal, Que. (US Corn) | Track | | 193.60 | 203.67 | | 195.93 | 148.88 |
| From: Chatham | Track | | 169.18 | 179.62 | | 170.66 | 147.73 |
| To: Montreal, Que. | Track | | 192.56 | 203.00 | | 194.04 | 170.62 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 335.43 | 335.87 | | 330.47 | 331.57 |
| To: Montreal, Que. | Track | | 359.85 | 360.29 | | 354.89 | 354.04 |
| Moncton, N.B. | Track | | 383.06 | 383.50 | | 378.10 | 371.35 |
| Truro, N.S. | Track | | 381.89 | 382.33 | | 376.93 | 374.32 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 430.69 | 431.13 | | 425.73 | 423.58 |

- Prices include ONE month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
 Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | As of Monday September 9, 2002 | | | | | | |
|---|------------------|-------------|-----------|------------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------------------------|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | | | | | | |
| Vancouver | This week | FOB | 218.16 | N/A | 222.16 | 215.00 | | 368.00 | (7) 251.00 | 175.00 | 335.00 | (4) 900.00 | 510.00 | | | | 410.00 | | | | | | |
| | Week ago | | 218.16 | N/A | 218.16 | 205.00 | | 362.00 | (7) 255.00 | 170.93 | 330.00 | (4) 900.00 | 500.00 | | | | 400.00 | | | | | | |
| B.C. | This week | FOB | 195.00 | N/A | 199.00 | 201.00 | | 353.00 | N/A | | 295.00 | (4) 950.00 | 545.00 | | | | 410.00 | | | | | | |
| | Week ago | | 195.00 | N/A | 195.00 | 196.00 | | 353.50 | N/A | | 290.00 | (4) 950.00 | 535.00 | | | | 400.00 | | | | | | |
| Calgary | This week | FOB | 180.00 | 242.50 | 182.00 | 196.00 | | 345.50 | 240.00 | | 295.00 | (4) N/A | 545.00 | | 188.33 | | 440.00 | | | | | | |
| | Week ago | | 184.00 | 212.50 | 184.50 | 198.00 | | 345.50 | 235.00 | | 290.00 | (4) N/A | 535.00 | | 183.33 | | 430.00 | | | | | | |
| Saskatoon | This week | FOB | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | |
| | Week ago | | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | |
| Melfort | This week | FOB | 192.00 | (9) 195.00 | 189.00 | 185.00 | | 329.00 | 230.00 | | 320.00 | (4) 912.50 | 450.00 | | | | 445.00 | | | | | | |
| | Week ago | | 184.50 | (9) 200.00 | 181.00 | 179.00 | | 329.00 | 225.00 | | 320.00 | (4) 912.50 | 450.00 | | | | 445.00 | | | | | | |
| Winnipeg | This week | In-store | (8)183.50 | N/A | (8) 192.40 | | | | | | | | | | | | | | | | | | |
| | Week ago | | (8)173.50 | N/A | (8) 186.20 | | | | | | | | | | | | | | | | | | |
| Thunder Bay | This week | On Board | | | | 180.49 | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Lake Ports | This week | Vessel | | | | 170.61 | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| USA | This week | In-store | 211.50 | 325.00 | N/A | | | | | | | | | | | | | | | | | | |
| | Week ago | | 206.50 | 322.00 | N/A | | | | | | | | | | | | | | | | | | |
| Bay Ports | This week | Track | | | | 181.58 | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 172.04 | | | | | | | | | | | | | | | | | |
| Chatham | This week | N/A | | | | | FOB | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Ontario | This week | N/A | | | | | FOB | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Hamilton | This week | N/A | | | | | FOB | 335.98 | N/A | | | | | | | | | | | | | | |
| | Week ago | | | | | | | 336.86 | N/A | | | | | | | | | | | | | | |
| Eastern | This week | FOB | | | | 175.00 | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 173.00 | | | | | | | | | | | | | | | | | |
| Ontario | This week | FOB | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Que. | This week | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |
| Trois-Riv. | This week | In-store | 230.50 | | 241.70 | 196.15 | | | | | | | | | | | | | | | | | |
| | Week ago | | 223.50 | | 235.70 | 185.82 | | | | | | | | | | | | | | | | | |
| Que. | This week | FOB | 190.25 | 227.50 | 151.90 | (2) 190.64 | | | | | | | | | | | | | | | | | |
| | Week ago | | 179.25 | 227.50 | 189.85 | (2) 183.26 | | | | | | | | | | | | | | | | | |
| St-Hyacinthe, Que. | This week | In-store | 208.67 | | 222.37 | 198.78 | FOB | 346.64 | | | | | | | | | | | | | | | |
| | Week ago | | 207.67 | | 216.70 | 189.75 | | 349.94 | | | | | | | | | | | | | | | |
| Quebec | This week | Track | 236.77 | 283.46 | 249.62 | 224.76 | FOB | 382.39 | 267.04 | | | | | | | | | | | | | | |
| | Week ago | | 235.87 | 283.46 | 243.62 | 223.02 | | 380.90 | 272.21 | | | | | | | | | | | | | | |
| Truro | This week | Water | 238.50 | N/A | N/A | 225.20 | | | | | | | | | | | | | | | | | |
| | Week ago | & Truck | 239.70 | N/A | N/A | 219.20 | | | | | | | | | | | | | | | | | |
| N.S. | This week | In-store | 229.50 | N/A | N/A | 216.20 | FOB | | | | | | | | | | | | | | | | |
| | Week ago | | 230.70 | N/A | N/A | 210.20 | | | | | | | | | | | | | | | | | |
| Halifax | This week | | | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard Tel: (514) 283-3815 (575) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5656 as of September 9, 2002

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat , No.1 Feed Oats , No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn , No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein . Gluten Meal 60% Protein. Fish Meal; white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

1) Wheat 3CWRS, 2) Canadian Corn #3 or #2, 3) US Corn (4) Fish Meal from West Coast (3%) Protein, (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Futures, WCE; (9) 3CW

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard Tel: (514) 283-3815 (575) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5656 as of September 9, 2002

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close.

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat , No.1 Feed Oats , No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn , No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Gluten Meal 60% Protein. Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Futures, WCE (9) 3CW contain varied % of restaurant grease.

(1) Wheat 3CWR5 (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast (6.3% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Futures, WCE (9) 3CW

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday September 9, 2002

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|-------------------|---------------|
| From: Thunder Bay 2 | In-Store | WHEAT | 183.50 | 173.50 | 178.50 | 145.00 |
| CBOT | | OATS | N/A | N/A | N/A | 191.61 |
| LETHBRIDGE | | BARLEY | 192.40 | 186.20 | 188.20 | 158.00 |
| To: Bayports, Ont. | In-store | WHEAT | 206.60 | 196.60 | 1. 201.60 | 168.10 |
| | | OATS | N/A | N/A | 1. N/A | N/A |
| | | BARLEY | 219.55 | 213.35 | 1. 215.35 | 185.15 |
| Montreal, Que. | In-store | WHEAT | 211.35 | 201.35 | 1. 206.35 | 172.85 |
| | | OATS | N/A | N/A | 1. N/A | N/A |
| | | BARLEY | 224.67 | 218.47 | 1. 220.47 | 190.27 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 233.82 | 223.82 | 228.82 | 195.32 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 251.03 | 244.83 | 246.83 | 216.63 |
| Truro, N.S. | Truck via Halifax | WHEAT | 231.32 | 221.32 | 226.32 | 192.82 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 246.15 | 239.95 | 241.95 | 211.75 |
| Halifax, N.S. | In-store | WHEAT | 218.65 | 208.65 | 1. 213.65 | 180.15 |
| | | OATS | N/A | N/A | 1.0 N/A | N/A |
| | | BARLEY | 232.47 | 226.27 | 1.0 228.27 | 198.07 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 278.43 | 268.43 | 273.43 | 239.93 |
| | | OATS | N/A | N/A | N/A | 297.81 |
| | | BARLEY | 299.54 | 293.34 | 295.34 | 265.14 |
| From: Melfort, Sask. | FOB | WHEAT | N/A | N/A | N/A | 147.00 |
| | | OATS | N/A | N/A | N/A | 173.48 |
| | | BARLEY | N/A | N/A | N/A | 144.00 |
| To: Bayports, Ont. | Track | WHEAT | N/A | N/A | N/A | 203.12 |
| | | OATS | N/A | N/A | N/A | 232.35 |
| | | BARLEY | N/A | N/A | N/A | 197.39 |
| Montreal, Que. | Track | WHEAT | N/A | N/A | N/A | 203.87 |
| | | OATS | N/A | N/A | N/A | 233.25 |
| | | BARLEY | N/A | N/A | N/A | 198.21 |
| Moncton, N.B. | Track | WHEAT | N/A | N/A | N/A | 225.05 |
| | | OATS | N/A | N/A | N/A | 256.59 |
| | | BARLEY | N/A | N/A | N/A | 210.32 |
| Truro, N.S. | Track | WHEAT | N/A | N/A | N/A | 225.22 |
| | | OATS | N/A | N/A | N/A | 257.56 |
| | | BARLEY | N/A | N/A | N/A | 223.94 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | N/A | N/A | N/A | 268.56 |
| | | OATS | N/A | N/A | N/A | 304.94 |
| | | BARLEY | N/A | N/A | N/A | 272.23 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|-------------------|---------------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 180.49 | 170.61 | 164.19 | 138.71 |
| To: Montreal, Que. (US Corn) | In-store | | 199.39 | 189.51 | 1.0 183.09 | 157.61 |
| From: Chicago (Mi) | Track | | 176.49 | 165.39 | 161.09 | 126.37 |
| To: Montreal, Que. (US Corn) | Track | | 205.52 | 194.42 | 190.12 | 153.91 |
| From: Chatham | Track | | 181.58 | 172.04 | 163.48 | 150.29 |
| To: Montreal, Que. | Track | | 204.96 | 195.42 | 186.86 | 173.18 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|---------------|---------------|
| From: Hamilton, Ont. | | | 335.98 | 336.86 | 341.71 | 323.30 |
| To: Montreal, Que. | Track | | 360.40 | 361.28 | 366.13 | 345.77 |
| Moncton, N.B. | Track | | 383.61 | 384.49 | 389.34 | 363.08 |
| Truro, N.S. | Track | | 382.44 | 383.32 | 388.17 | 366.05 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 431.24 | 432.12 | 436.97 | 415.31 |

- Prices include ONE month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | | As of Monday August 26, 2002 | | | | | | | | | |
|--|------------------|-------------|------------|------------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|---|--|--|--|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | | | | | | | | | | |
| Vancouver | This week | FOB | 213.16 | N/A | 215.16 | 210.00 | | 360.00 | (7) 261.50 | 170.93 | 330.00 | (4) 900.00 | 500.00 | | | | 390.00 | | | | | | | | | | |
| B.C. | Week ago | | 213.16 | N/A | 215.16 | 210.00 | | 366.00 | (7) 261.50 | 170.93 | 330.00 | (4) 900.00 | 500.00 | | | | 380.00 | | | | | | | | | | |
| Calgary | This week | FOB | 190.00 | N/A | 192.00 | 196.00 | | 359.00 | N/A | | 290.00 | (4) 950.00 | 535.00 | | | | 390.00 | | | | | | | | | | |
| Alta | Week ago | | 190.00 | N/A | 192.00 | 200.00 | | 364.50 | N/A | | 290.00 | (4) 950.00 | 535.00 | | | | 380.00 | | | | | | | | | | |
| Saskatoon | This week | FOB | 182.50 | 240.00 | 180.50 | 198.00 | | 350.00 | 250.00 | | 290.00 | (4) N/A | 535.00 | | 185.67 | | 420.00 | | | | | | | | | | |
| Sask. | Week ago | | 185.00 | 245.00 | 183.00 | 194.00 | | 356.50 | 250.00 | | 290.00 | (4) N/A | 535.00 | | 187.33 | | 410.00 | | | | | | | | | | |
| Melfort | This week | FOB | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | | | | | |
| Sask. | Week ago | | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 177.50 | (9) 185.66 | 177.08 | 182.00 | | 333.00 | 240.00 | | 320.00 | (4) 900.00 | 435.00 | | | | 415.00 | | | | | | | | | | |
| Man. | Week ago | | 183.00 | (9) 176.16 | 174.42 | 180.00 | | 339.50 | 240.00 | | 315.00 | (4) 875.00 | 435.00 | | | | 415.00 | | | | | | | | | | |
| Thunder Bay | This week | In-store | (8) 178.50 | N/A | (8) 190.70 | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | (8) 184.00 | N/A | (8) 191.00 | | | | | | | | | | | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 170.58 | | | | | | | | | | | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 175.50 | | | | | | | | | | | | | | | | | | | | | |
| Bay Ports | This week | In-store | 211.50 | 322.00 | N/A | | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | 217.00 | 322.00 | N/A | | | | | | | | | | | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 170.66 | | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | 173.91 | | | | | | | | | | | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 320.00 | (5) N/A | 440.00 | 535.00 | 155.00 | 275.00 | 390.00 | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | 314.00 | (5) N/A | 440.00 | 525.00 | 148.00 | 275.00 | 370.00 | | | | | | | | | | |
| Hamilton | This week | N/A | | | | | FOB | 330.47 | N/A | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | 342.04 | N/A | | | | | | | | | | | | | | | | | | |
| Eastern | This week | FOB | 176.00 | | | 176.00 | | | | | | | | 525.00 | 147.00 | | | | | | | | | | | | |
| Ontario | Week ago | | 176.00 | | | | | | | | | | | 515.00 | 140.00 | | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | 98.50 | | | | 525.00 | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | 95.50 | | | | 515.00 | | | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | 525.00 | 147.00 | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | 515.00 | 140.00 | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | 525.00 | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | 515.00 | | | | | | | | | | | | | |
| Montreal | This week | | | | | | FOB | 352.81 | 250.44 | 129.00 | 320.00 | (5) 850.00 | 325.00 | 535.00 | 157.00 | 265.00 | 400.00 | | | | | | | | | | |
| Que. | Week ago | | | | | | | 362.15 | 254.38 | 129.00 | 314.00 | (5) 850.00 | 325.00 | 525.00 | 150.00 | 265.00 | 400.00 | | | | | | | | | | |
| Trois-Riv. | This week | In-store | 228.50 | | 242.50 | 187.98 | | | | | | | | | | | | | | | | | | | | | |
| Que. | Week ago | | 234.00 | | 242.10 | 188.47 | | | | | | | | | | | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | 179.25 | 203.33 | 168.17 | (2) 184.44 | | | | | | | | | | | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | 187.00 | 210.00 | 167.37 | (2) 187.29 | | | | | | | | | | | | | | | | | | | | | |
| Quebec | This week | In-store | 212.67 | | 225.17 | 191.39 | FOB | 354.72 | | | | | | | | | | | | | | | | | | | |
| Que. | Week ago | | 222.33 | | 227.43 | 194.77 | | 363.35 | | | | | | | | | | | | | | | | | | | |
| Truro | This week | Track | 238.98 | 283.46 | 247.52 | 217.66 | FOB | 376.05 | 271.06 | | 356.00 | | 410.00 | | | | 400.00 | | | | | | | | | | |
| N.S. | Week ago | | 252.58 | 283.46 | 249.07 | 220.50 | | 388.62 | 283.16 | | 350.50 | | 410.00 | | | | 400.00 | | | | | | | | | | |
| Truro | This week | Water | N/A | N/A | N/A | 218.40 | | | | | | | | | | | | | | | | | | | | | |
| N.S. | Week ago | & Truck | N/A | N/A | N/A | 225.00 | | | | | | | | | | | | | | | | | | | | | |
| Halifax | This week | In-store | N/A | N/A | N/A | 209.40 | FOB | | | 272.00 | | (6) 950.00 | | | | | | | | | | | | | | | |
| N.S. | Week ago | | N/A | N/A | N/A | 216.00 | | | | 272.00 | | (6) 950.00 | | | | | | | | | | | | | | | |
| Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard | | | | | | | | | | | | | | | | | | Tel: (514) 283-3815 (575) Fax: (514) 283-2754 | | | | | | | | | |
| Thunder Bay prices are based on the Winnipeg Commodities Exchange market close | | | | | | | | | | | | | | | | | | N/A = not available. US \$1.00=€1m \$1,5571 as of August 26, 2002 | | | | | | | | | |
| Footnotes: All prices in Canadian dollars, per metric tonne. Grain grades are Western or Eastern feed wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk Basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (1) Wheat: 3C WRS. (2) Canadian Corn #3 or #2 (3) US Corn. (4) Fish Meal from West Coast 63% Protein. (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Futures WCE (9) RCW | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Menard Tel: (514) 283-3815 (575) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5571 as of August 26, 2002

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3C WRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 6.5% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Futures WCE (9) 3CW

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday August 26, 2002

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-----------------------------|--------------------------|---------------|---------------|---------------|-----|---------------|---------------|
| From: Thunder Bay 2 | In-Store | WHEAT | 178.50 | 184.00 | | 180.80 | 141.10 |
| CBOT | | OATS | N/A | N/A | | N/A | 158.12 |
| LETHBRIDGE | | BARLEY | 190.70 | 191.00 | | 182.00 | 149.50 |
| To: Bayports, Ont. | In-store | WHEAT | 201.60 | 207.10 | 1. | 203.90 | 164.20 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 217.85 | 218.15 | 1. | 209.15 | 176.65 |
| Montreal, Que. | In-store | WHEAT | 206.35 | 211.85 | 1. | 208.65 | 168.95 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 222.97 | 223.27 | 1. | 214.27 | 181.77 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 228.82 | 234.32 | | 231.12 | 191.42 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 249.33 | 249.63 | | 240.63 | 208.13 |
| Truro, N.S. | Truck via Halifax | WHEAT | 226.32 | 231.82 | | 228.62 | 188.92 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 244.45 | 244.75 | | 235.75 | 203.25 |
| Halifax, N.S. | In-store | WHEAT | 213.65 | 219.15 | 1. | 215.95 | 176.25 |
| | | OATS | N/A | N/A | 1.0 | N/A | N/A |
| | | BARLEY | 230.77 | 231.07 | 1.0 | 222.07 | 189.57 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 273.43 | 278.93 | | 275.73 | 236.03 |
| | | OATS | N/A | N/A | | N/A | 264.32 |
| | | BARLEY | 297.84 | 298.14 | | 289.14 | 256.64 |
| From: Melfort, Sask. | FOB | WHEAT | N/A | N/A | | N/A | 142.10 |
| | | OATS | N/A | N/A | | N/A | 140.13 |
| | | BARLEY | N/A | N/A | | N/A | 136.50 |
| To: Bayports, Ont. | Track | WHEAT | N/A | N/A | | N/A | 198.22 |
| | | OATS | N/A | N/A | | N/A | 199.00 |
| | | BARLEY | N/A | N/A | | N/A | 189.89 |
| Montreal, Que. | Track | WHEAT | N/A | N/A | | N/A | 198.97 |
| | | OATS | N/A | N/A | | N/A | 199.90 |
| | | BARLEY | N/A | N/A | | N/A | 190.71 |
| Moncton, N.B. | Track | WHEAT | N/A | N/A | | N/A | 220.15 |
| | | OATS | N/A | N/A | | N/A | 223.24 |
| | | BARLEY | N/A | N/A | | N/A | 202.82 |
| Truro, N.S. | Track | WHEAT | N/A | N/A | | N/A | 220.32 |
| | | OATS | N/A | N/A | | N/A | 224.21 |
| | | BARLEY | N/A | N/A | | N/A | 216.44 |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | N/A | N/A | | N/A | 263.66 |
| | | OATS | N/A | N/A | | N/A | 271.59 |
| | | BARLEY | N/A | N/A | | N/A | 264.73 |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|------------------------|--|---------------|---------------|-----|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 170.58 | 175.50 | | 159.27 | 136.65 |
| To: Montreal, Que. (US Corn) | In-store | | 189.48 | 194.40 | 1.0 | 178.17 | 155.55 |
| From: Chicago (MI) | Track | | 166.90 | 173.05 | | 157.39 | 122.39 |
| To: Montreal, Que. (US Corn) | Track | | 195.93 | 202.08 | | 186.42 | 149.93 |
| From: Chatham | Track | | 170.66 | 173.91 | | 157.87 | 147.33 |
| To: Montreal, Que. | Track | | 194.04 | 197.29 | | 181.25 | 170.22 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|--------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 330.47 | 342.04 | | 345.90 | 324.85 |
| To: Montreal, Que. | Track | | 354.89 | 366.46 | | 370.32 | 347.32 |
| Moncton, N.B. | Track | | 378.10 | 389.67 | | 393.53 | 364.63 |
| Truro, N.S. | Track | | 376.93 | 388.50 | | 392.36 | 367.60 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 425.73 | 437.30 | | 441.16 | 416.86 |

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
 Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Québec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Bi-weekly Bulletin

October 25, 2002 Volume 15 Number 19

VEGETABLE OIL: SITUATION AND OUTLOOK

For 2002-2003, world consumption of vegetable oil (vegoil) is forecast to reach a record high and production is forecast to increase despite reduced oilseed production as a result of drought in several key producing countries. Higher palmoil and soyoil production more than offset lower production of other vegoils. World vegoil trade is forecast to set a record high. Vegoil prices are forecast to increase by about 25% from the 10-year low set in 2001-2002. In Canada, canola oil production is forecast to decline sharply, with crushers operating at about half capacity, due to drought across western Canada, and exports of canola oil are forecast to decline significantly for 2002-2003. However, Canadian production of soyoil is forecast to be near record high and exports are expected to increase slightly. This issue of the *Bi-weekly Bulletin* examines the world and Canadian situation and outlook for vegoils.

Vegoils and protein meals are co-products derived from crushing oilseeds. Supply and demand conditions in one market affect the other (see *Bi-weekly Bulletin*, Volume 14, Number 19 entitled, "Protein Meal: Situation and Outlook"). Vegoil production occurs closer to raw oilseed supplies, mainly soybeans and canola. World oilseed production is forecast by the United States Department of Agriculture (USDA) to decrease to 318 million tonnes (Mt) from 323 Mt in 2001-2002 as lower cottonseed, rapeseed, and peanut production more than offset higher soybean and sunflowerseed production.

The supply of vegoil is projected to be the same as 2001-2002 as lower carry-in stocks offset higher production. However, the unbroken 19-year trend of steadily rising consumption is expected to continue with world usage increasing by 2% due to higher consumption in China, India and the United States. Carry-out stocks are projected to fall sharply, to 16% below the 5-year average, supporting the recent rise in world vegoil prices. However, for 2002-2003 European Union (EU) soyoil and palmoil prices are expected to remain well below the highs of US\$606 per tonne (/t) and US\$601/t set during 1994-1995 and 1997-1998, respectively.

Trade volumes have grown steadily as vegoils are transported from the production areas, typically situated near large agricultural regions, to heavily populated regions where it is consumed. This rise in international trade has been partly supported by a generally higher standard of living throughout Asia, so despite the sharp rise in prices, world trade in vegoils is forecast to be record high for 2002-2003.

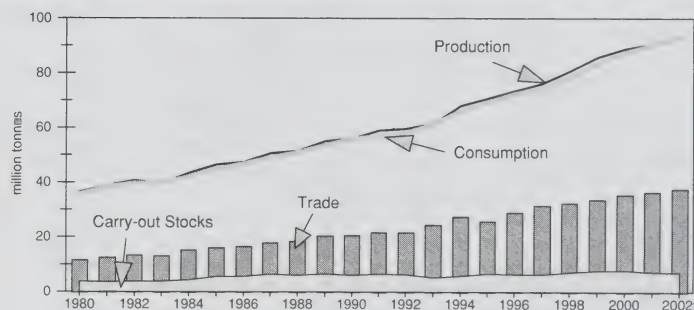
Soyoil

Soyoil makes up about one-third of the world vegoil complex and remains the most important commodity, although its dominance

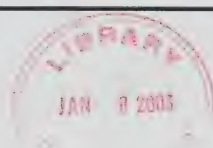
WORLD

For 2002-2003, world edible oil production is projected to increase to a record high 93.0 million tonnes (Mt), on support from higher vegoil production of 91.8 Mt and a stable output of marine oil of 1.2 Mt. The percentage distribution of vegoil production by type is as follows: soyoil (32%), palmoil (28%), canola/rapeseed oil (13%), and sunflowerseed oil (9%). The remainder consists of cottonseed oil, peanut oil, coconut oil, olive oil and palm kernel oil. The production of soyoil, palmoil and sunflowerseed oil is expected to increase, more than offsetting a drop in canola/rapeseed oil production.

WORLD: VEGOIL SUPPLY AND DISPOSITION



f: forecast, USDA, October 2002
Source: USDA



has been reduced by the expansion of palmoil production since the early 1990s. For 2002-2003, **world soyoil production** is projected to rise by about 4%, largely due to increased soybean crush in the major soyoil exporting countries. Consequently, world soyoil supplies are projected to grow to a record high 32.4 Mt from 31.3 Mt for 2001-2002. World soyoil **trade**, which makes up about one-quarter of the total world trade of vegoils, is expected to rise by 11%, due to increased exports from the US, Brazil, and Argentina. Indian and Iranian import demand is expected to remain strong. World **carry-out stocks** of soyoil are projected to decline by 16%, to the lowest level since 1998-1999, supporting the significant forecast rise in prices.

In the **US**, soyoil **production** is expected to rise slightly, to a record high 8.6 Mt for 2002-2003, on support from stable crush margins,

ample soybean supplies, and increased demand for soyoil because of reduced supplies of competing vegoils. Domestic **consumption** is forecast to increase slightly, to 7.87 Mt as end users switch out of competing canola oils and palmoids because of higher prices. **Exports** are projected to decrease slightly, to 1.09 Mt, approximately 25% above the 10-year average. **US carry-out stocks** are expected to decrease sharply, to 0.74 Mt, supporting the USDA October 2002 US farm price forecast of US\$0.19-0.22 per pound (lb), versus the 2001-2002 average of US\$0.17/lb.

Brazilian soyoil production is projected to rise sharply, to 5.25 Mt, for 2002-2003, aided by the low value of the Brazilian *real* relative to the US dollar and European *euro*, and record large supplies of raw soybeans. As a result of the 75% devaluation of the Brazilian *real*, local commodity and input prices have increased sharply. This is expected to support a massive shift into soybean area out of corn and wheat, due to lower requirements for fertilizer and pesticide use. In Brazil, differential export taxes favour the export of soybeans and restricts the expansion

of domestic processing, limiting the production and exports of soyoil. For 2002-2003, Brazilian soyoil exports are forecast to rise to slightly over 2 Mt compared to the 5-year average of 1.5 Mt.

Since 1990, **Argentina** has nearly tripled its annual production of soyoil, which now accounts for 14% of world soyoil output. For 2002-2003, the production of soyoil is projected at a record high 4 Mt, due to higher domestic prices resulting from the devaluation of the Argentine *peso*. However, producers may choose to store their soybeans as a hedge against inflation, resulting in slower marketings than in previous years. Due to the favourable tax rates for exporting soyoil and meal, compared to raw soybeans, about 70% of the Argentine soybean crop is crushed domestically and most of the oil and meal is exported. For 2002-2003, exports are expected to rise by about 0.3 Mt, to a record 4.0 Mt, providing Argentina with a 39% market share of world soyoil trade. The rise in soyoil exports is attributed to increased Chinese and Indian import demand for vegoils.

For 2002-2003, the EU is forecast to produce a record 3.2 Mt of **soyoil** due to an increase in the soybean crush. Demand for **soymeal** has increased sharply following the ban on the use of animal meals in livestock rations as a result of the Bovine Spongiform Encephalopathy (BSE) outbreak. The EU is expected to import a record 20 Mt of **soybeans**, mostly from Brazil and the US. For 2002-2003, intra-EU consumption of **soyoil** is projected at 1.8 Mt, while exports are forecast at 2.0 Mt. Although exports are expected to be widely dispersed among importing countries, Russia is expected to be the most important buyer of soyoil from the EU.

Palmoil
World palmoil production has increased by about 2 1/4 times since 1990, as Malaysia and Indonesia expanded palm tree area. For 2002-2003 (October-September crop year), the output of palmoil is forecast by Oil World to

WORLD: OILSEED AND VEGOIL SUPPLY AND DISPOSITION

| | 2000 -2001 | 2001 -2002 | 2002 -2003f |
|---------------------------|---------------|---------------|----------------|
| million tonnes..... | | | |
| OILSEEDS | | | |
| Production | | | |
| Soybeans | 175.1 | 183.8 | 184.5 |
| Canola/Rapeseed | 37.5 | 35.9 | 32.2 |
| Other | 100.8 | 103.4 | 101.2 |
| Total | 313.4 | 323.1 | 317.9 |
| Crush | | | |
| Soybeans | 147.0 | 157.9 | 163.5 |
| Canola/Rapeseed | 35.2 | 33.2 | 30.8 |
| Other | 72.1 | 73.4 | 73.0 |
| Total | 254.3 | 264.5 | 267.3 |
| VEGETABLE OILS | | | |
| Production | | | |
| Soyoil | 26.8 | 28.7 | 29.9 |
| Palmoil | 23.9 | 24.9 | 25.4 |
| Canola/Rapeseed oil | 13.0 | 12.2 | 11.4 |
| Other | 25.3 | 25.1 | 25.1 |
| Total | 89.0 | 90.9 | 91.8 |
| Trade | | | |
| Soyoil | 7.6 | 8.9 | 9.9 |
| Palmoil | 16.8 | 17.5 | 17.8 |
| Canola/Rapeseed oil | 2.6 | 2.4 | 2.3 |
| Other | 7.6 | 7.0 | 7.3 |
| Total | 34.6 | 35.8 | 37.3 |
| Carry-out Stocks | | | |
| Soyoil | 2.6 | 2.5 | 2.1 |
| Palmoil | 2.8 | 2.3 | 2.3 |
| Canola/Rapeseed oil | 0.7 | 0.6 | 0.4 |
| Other | 2.2 | 1.9 | 1.6 |
| Total | 8.3 | 7.3 | 6.4 |

Note: Other includes sunflowerseed, cottonseed, peanut, coconut, olive, and palm kernel

f: forecast, USDA, October 2002

Source: USDA

WORLD: VEGOIL TRADE*

| | 2000 -2001 | 2001 -2002 | 2002 -2003f |
|---------------------------|---------------|---------------|----------------|
| million tonnes..... | | | |
| SOYOil | | | |
| Major Exporters | | | |
| Argentina | 3.21 | 3.67 | 4.01 |
| Brazil | 1.53 | 1.65 | 2.26 |
| EU | 1.81 | 1.90 | 1.97 |
| US | 0.64 | 1.13 | 1.09 |
| Major Importers | | | |
| India | 1.40 | 1.65 | 2.00 |
| Iran | 0.85 | 0.90 | 0.95 |
| CANOLA/RAPESEED Oil | | | |
| Major Exporters | | | |
| Canada | 0.71 | 0.50 | 0.45 |
| EU | 0.30 | 0.21 | 0.27 |
| Major Importers | | | |
| US | 0.55 | 0.50 | 0.47 |
| North Africa ** | 0.01 | 0.14 | 0.15 |
| Hong Kong | 0.19 | 0.13 | 0.14 |
| PALMOil | | | |
| Major Exporters | | | |
| Malaysia | 10.48 | 10.45 | 10.60 |
| Indonesia | 4.58 | 5.45 | 5.50 |
| Major Importers | | | |
| India | 4.00 | 3.40 | 3.80 |
| EU | 2.85 | 3.05 | 3.10 |
| China | 1.58 | 2.00 | 2.20 |

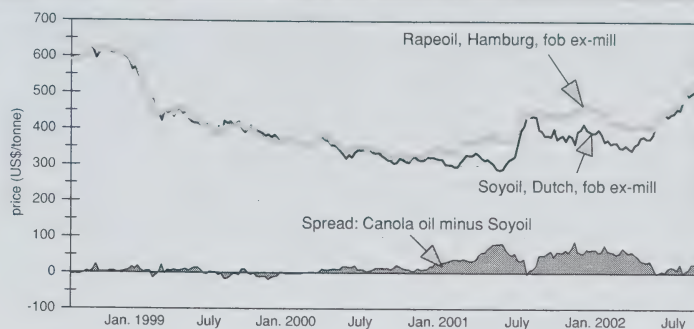
* Major exporters and importers

** Algeria, Egypt, Libya, Morocco, and Tunisia

f: forecast, USDA, October 2002

Source: USDA, Oil World, AAFC

EU: SOYOIL AND RAPEOIL PRICES



Source: Oil World

increase by 2% from 2001-2002 to 24.8 Mt, although at a much slower pace than during the late-1990s and early 2000s, due to a slowdown in the replanting of palm trees and a projected drop in yields from older trees. Supplies are forecast to be similar to 2001-2002. Total consumption is projected to rise by 0.9 Mt, largely due to increased Indian and Chinese usage. As a result, carry-out stocks are expected to fall to the lowest level since 1997-1998.

Following the sharp rise in output during the early to mid-1990s, the production of palmoil in **Malaysia** is forecast to remain stable for 2002-2003. After a rapid increase in palm

tree area during the 1990s, the pace of expansion declined sharply due to economic upheaval experienced during 2000 and 2001. As well, yields are expected to fall under pressure from drought across Malaysia and a host of agronomic factors. For 2002-2003, exports are expected to be stable while domestic usage rises slightly. Carry-out stocks are forecast to drop to 0.9 Mt, about 30% of the world's total carry-out of palmoil, significantly below the 5-year average of 1.1 Mt, supporting an expected rise in Malaysian palmoil prices to US\$350-450/t for 2002-2003.

additional 1% tax on refined, bleached, deodorized (RBD) palmoil, RBD palm olein and crude olein, remain in place.

Canola/Rapeseed Oil

Canola/rapeseed oil is the third largest vegoil and **world** production has increased by almost 50% since 1990-1991. For 2002-2003, output worldwide is forecast to drop by 10%, under pressure from lower supplies of canola/rapeseed. As a result of the decline in supplies, global consumption and trade in canola/rapeseed oil is projected to be constrained during 2002-2003.

Canola/rapeseed oil prices are expected to trade at a significant premium to soyoil which will pressure some end users out of the higher priced vegoil. However, the shift away from canola/rapeseed oil is expected to be limited in those higher income countries whose labeling restrictions and health claims favour canola oil.

Rapeseed oil is the dominant vegoil produced in the **EU**. Estimated at 3.7 Mt for 2002-2003, it represents about 25% of their total vegoil output. Intra-EU consumption is projected to increase slightly to 3.4 Mt for 2002-2003, significantly above the 5-year average of 3.1 Mt. Exports are expected to rise marginally to 0.3 Mt for 2002-2003, but remain well short of the 0.8 Mt exported in 1998-1999.

Importers

Historically, **India** consumes approximately 12% of the world's vegoils, and its domestic consumption is forecast to rise slightly to 10.9 Mt for 2002-2003. By contrast, in 1998-1999, India consumed 9.2 Mt of vegoils. By type, the major oils consumed are palmoil (33%), soyoil (25%), peanut oil (15%), rapeseed oil (11%), and cottonseed oil (5%).

For 2002-2003, India is expected to be the world's largest importer of vegoils. Estimated at 5.9 Mt, India's imports represent almost 16% of total world trade. Imports of palmoil and soyoil are forecast to increase significantly, to 3.7 Mt and 2 Mt, respectively. The rise in imports is the result of below normal monsoon activity across the north, northwestern and central regions of India. Although growing conditions improved later in the crop year, several state governments had already prepared contingency plans to deal with possible shortages, and market prices for most commodities had already risen.

Total **Chinese** imports of vegoil are expected to rise to 3.4 Mt for 2002-2003, up from 2.7 Mt in 2001-2002 and the 5-year average of 2.5 Mt. Imports of palmoil and soyoil are

WORLD: PALMOIL SUPPLY AND DISPOSITION

| October-September crop year | 2000 -2001 | 2001 -2002e | 2002 -2003f |
|--------------------------------|---------------|----------------|----------------|
|million tonnes..... | | | |
| Carry-in Stocks | 3.7 | 4.0 | 3.8 |
| Production | | | |
| Malaysia | 11.9 | 11.6 | 11.8 |
| Indonesia | 7.5 | 8.1 | 8.4 |
| Other | 4.3 | 4.6 | 4.6 |
| Total Production | <u>23.7</u> | <u>24.3</u> | <u>24.8</u> |
| Total Supplies | 27.4 | 28.3 | 28.6 |
| Consumption | | | |
| India | 3.9 | 3.4 | 3.9 |
| EU-15 | 2.7 | 2.9 | 3.0 |
| Indonesia | 2.8 | 2.8 | 2.9 |
| China | 2.0 | 2.2 | 2.4 |
| Other | 12.0 | 13.2 | 13.2 |
| Total Consumption | <u>23.4</u> | <u>24.5</u> | <u>25.4</u> |
| Carry-out Stocks | 4.0 | 3.8 | 3.2 |
| Trade | 17.4 | 18.1 | 18.9 |

e: estimate, Oil World, October 2002

f: forecast, Oil World, October 2002

Source: Oil World

Indonesia is the world's second largest producer of palmoil and is projected to produce 8.4 Mt in 2002-2003, a 63% increase since 1997-1998, when output was only 5.2 Mt. The rise in production is being supported by improved security in rural areas, increased harvestable, mature, palm tree area and higher yields. Recent investment in the palmoil industry has been negligible as most palmoil processing companies are delaying expansion plans in anticipation of an improved domestic political and economic environment. Domestic consumption of palmoil is expected to be 2.9 Mt, which equates to a per-capita consumption figure of 11 kilograms per year. About 65% of the total crude palmoil production is exported and is projected to be stable at about 5.5 Mt for 2002-2003. The 3% export tax for crude palmoil and its derivative products, plus an

expected to rise to 2.3 Mt and 0.5 Mt, respectively. The growth in imports is due to the combination of higher per capita consumption, reduced production for 2002-2003, and improved access since China was granted membership in the World Trade Organization. Domestic consumption is expected to continue growing, reaching almost 14 Mt for 2002-2003, on support from steady population growth and rising disposable incomes. However, domestic production of vegoils is expected to decline slightly to 10.5 Mt, because of tight oilseed supplies due to reduced production and the biotech regulations restricting soybean imports.

CANADA

Canada has a productive capacity to produce about 2 Mt of vegoil annually, of which 1.7 Mt is canola oil and 0.3 Mt is soyoil. Most of the canola oil is produced in western Canada and all of the soyoil is extracted in eastern Canada. Since 1990-1991, the production of soyoil and canola oil has increased by over 175% and 200%, respectively, due to increased crushing capacity and seed supplies.

The Canadian crush industry earned \$230 million in revenues (oil and meal sales minus seed purchases, not accounting for operating costs) in 2001, according to the Canadian Oilseeds Processors Association (COPA). As well, further refining of crude soy, canola and sunflowerseed oils contributed \$335 million to the processing industry. The oilseed processors purchased about \$1.2 billion of oilseeds from producers. In total, COPA estimates that exports and import substitution of vegoil and protein meal contributed \$1.9 billion to Canada's balance of payments for 2001.

The sale of one of Canada's largest vegoil producing companies, CanAmera Foods, is not expected to affect domestic vegoil output. The change in ownership is part of Bunge Limited's purchase of the large French oilseed processor Cereol. Cereol owned 100% of US soybean crusher Central Soya, which in turn owned 100% of CanAmera Foods of Canada. Despite being the world's largest processor, Bunge had not produced canola oil up to this point. Operations at CanAmera are expected to remain unchanged with the domestic offices operating with the normal degree of autonomy.

By contrast, Canadian **soyoil** production is forecast at 0.3 Mt, based on an expected soybean crush of 1.7 Mt. Supplies of raw soybeans are forecast to remain ample within transport distance of the two major processing plants in southern Ontario. Supplies and domestic consumption of soyoil are expected to decrease marginally, while exports increase slightly.

*This bulletin was written
by Chris Beckman, Oilseeds Analyst*

**For more information,
please contact:**

**Stan Spak,
A/Oilseeds Analyst
Phone: (204) 983-8467
E-mail: spaks@agr.gc.ca**

CANADA: CANOLA OIL SUPPLY AND DISPOSITION

| August-July crop year | 2000 -2001 | 2001 -2002e | 2002 -2003f |
|----------------------------|---------------|----------------|----------------|
| thousand tonnes..... | | | |
| CANOLA SEED | | | |
| Crush | 3,013 | 2,293 | 2,000 |
| CANOLA OIL | | | |
| Carry-in Stocks | 30 | 40 | 30 |
| Production ^{/1} | 1,266 | 971 | 840 |
| Imports ^{/2} | 10 | 11 | 12 |
| Total Supply | 1,306 | 1,022 | 882 |
| Exports ^{/2} | 714 | 512 | 450 |
| Domestic Use ^{/3} | 552 | 480 | 407 |
| Total Use | 1,266 | 992 | 857 |
| Carry-out Stocks | 40 | 30 | 25 |

^{/1} Conversion factors: canola oil = 0.42 x canola

^{/2} Includes crude and refined oil, but excludes hydrogenated oil and processed products (margarine, salad oil and shortening).

^{/3} Domestic use=Total Supply minus Exports minus Carry-out Stocks. Domestic use includes exports of processed products.

e: estimate, AAFC, October 2002

f: forecast, AAFC, October 2002

Source: Statistics Canada

For 2002-2003, due to tight canola supplies, canola oil production is forecast to drop to 0.84 Mt (based on a crush of 2 Mt), versus 0.96 Mt for 2001-2002 and the 5-year average of 1.23 Mt. This forecast assumes a conversion factor of 0.42 which could be too high given the poor quality of the 2002-2003 crop. Competition for raw seed will be strong as domestic canola supplies fall to a 10-year low as a result of record dry growing conditions across major regions of western Canada. Crushers not owned by an elevator company in western Canada will be at a further disadvantage as most seed supplies will be located in the eastern half of the prairies, while the processing plants are spread out across the region. **Crush** margins are expected to be pressured by high canola prices. Crush capacity utilization is expected to be significantly below potential. Canadian canola oil exports are expected to drop to about 0.5 Mt with trade to the US representing about 90% of total trade. The price of canola oil, crude, in-store, Vancouver is forecast to average \$775-825/t for 2002-2003, versus \$625/t for 2001-2002.

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**Market Analysis Division,
Marketing Policy Directorate,
Strategic Policy Branch,
Agriculture and Agri-Food Canada,
500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524**

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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bulletin@agr.gc.ca.*

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CANADA: GRAINS AND OILSEEDS OUTLOOK

OCTOBER 24, 2002

Total production of grains and oilseeds is estimated to decrease by 18% from 2001-02 to 41.5 million tonnes (Mt), based on the Statistics Canada's (STC) September production estimates. In western Canada, due to one of the worst droughts on record across the central and northern regions of Saskatchewan and Alberta, crop abandonment is sharply higher, and yields are significantly lower than normal. Rains and freezing temperatures delayed the harvest and downgraded crop quality. In eastern Canada, average yields for soybeans, and corn to a much lesser extent, are expected to increase from 2001-02. Total Canadian carry-in stocks of all grains and oilseeds for 2002-03 are also below 2001-02 based on STC data. Domestic supplies are therefore expected to be significantly below last year. Wheat exports are projected to fall to the lowest level in almost half a century while corn imports are forecast to increase to a record high level. Total exports of grains and oilseeds are forecast to fall to a modern-day low of about 15 Mt, as lower exports of wheat, durum, barley, oats, canola and flaxseed more than offset higher exports of corn and soybeans.

Canadian and world grain and oilseed prices have already increased substantially and are expected to average significantly higher than 2001-02, due mainly to lower US and world ending stocks. The major factors to watch are: crop quality, the extent of drought in Australia, the size and aggressiveness of the EU export program, the competitiveness of non-traditional exporters of wheat and coarse grains, and the Canada/US exchange rate.

WHEAT (ex-durum)

Production for 2002-03 is estimated by STC to fall by 33%, to 11.9 Mt, the lowest since 1970-71. Carry-in stocks are down by 28%, at 4.9 Mt, so that total supplies are 31% below 2001-02, at 16.8 Mt. Exports are projected to drop by more than 50%, to only 6.1 Mt, the lowest since 1954-55. Feed use is expected to increase due to poor quality of the wheat crop and a small western Canadian barley crop. Carry-out stocks are forecast to fall by 28% from 2001-02, to 3.5 Mt, the lowest in over 40 years. The Canadian Wheat Board (CWB) October Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$304/t, in-store Vancouver/St. Lawrence (I/S VC/SL), vs. \$207/t for 2001-02. Ontario winter wheat production is up by 8%, to 1.14 Mt, due to lower abandonment and good yields. The Ontario Wheat Producers' Marketing Board projects pool returns for No.1 CEWW wheat at \$195-205/t, terminal or processor position, an increase of 44% from 2001-02.

DURUM

Production has been less affected by the 2002 drought, as it is concentrated in the southern Prairies, where precipitation was more adequate. Production is up by 22% from the drought-reduced 2001-02 crop, at 3.6 Mt, but this remains well below the 5-year average of 4.7 Mt. The increase is more than offset by a 43% drop in carry-in stocks, so that supplies are 10% lower than in 2001-02. Exports are forecast to decline slightly to 3.5 Mt. Carry-out stocks are projected to fall by almost 50%, to 0.85 Mt, vs. the 5-year average of 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$297/t, I/S VC/SL, vs. \$261/t for 2001-02. The PRO for No. 1 CWAD 11.5% protein is at a discount of \$7/t to No.1 CWRS 11.5% protein compared to a premium of \$54/t for 2001-02.

BARLEY

Production decreased to the lowest level since 1968. Average yields are the lowest in 30 years and the rate of abandonment is the highest on record due to widespread crop failure and a shortage of fodder. Feed use is expected to decline due to lower barley supplies. Malting barley exports are forecast to fall to a ten year low due to low barley supplies and high domestic feed grain prices. Feed barley exports are projected to be negligible. Carry-out stocks are forecast to decline to the lowest level in modern times. Off-Board feed barley prices are expected to increase as a result of the shortage of barley supplies and stronger US corn prices. The CWB PRO for No.1 CW Feed Barley is \$187/t vs. \$180/t for 2001-02 and the PRO for Special Select Two Row Designated Barley is \$243/t vs. \$209/t for 2001-02.

OATS

Production increased from 2001-02 due to higher seeded area. However, the rate of abandonment reached the highest level on record due to strong demand for fodder and crop failure in many areas. Supplies are expected to decrease because of lower carry-in stocks. Exports are forecast to decline due to lower supplies and increased competition from the EU. Carry-out stocks are expected to remain very low and the average price is forecast to be similar to 2001-02, at \$190-220/t.

CORN

Production increased slightly from 2001-02. Imports are expected to set a new record of 5.0 Mt. Imports into western Canada are projected to increase sharply due to the lower barley production, while imports into eastern Canada are forecast to remain strong. Feed use is expected to rise, especially in western Canada. The average Chatham corn price is forecast to increase to \$135-165/t due to higher US corn prices.

CANOLA

Production decreased sharply from 2001-02, to 3.3 Mt. Despite higher carry-in stocks, total supplies are expected to decline by 25% and exports are forecast to decrease by 21% to 2.1 Mt. Domestic crush is expected to fall by 13%, to 2 Mt, the lowest level since 1992-93. Carry-out stocks are forecast to fall to a historically low level. The average price is expected to rise sharply from 2001-02 to \$430-460/t, due to a combination of higher world vegoil oil prices and lower canola supplies.

FLAXSEED (excluding solin)

Production decreased marginally but supplies are forecast to decrease more significantly due to sharply lower carry-in stocks. Domestic use is expected to increase slightly while exports decline marginally. Carry-out stocks are expected to decline considerably, and the average price is expected to increase to \$385-415/t.

SOYBEANS

Production increased sharply to 2.4 Mt, due to increased yields from the historically low level of 2001-02. Domestic supplies are expected to increase significantly. Exports are expected to increase marginally while imports decrease significantly. Domestic crush is projected to remain near-full capacity. The average Chatham soybean price is forecast to increase to \$285-315/t due largely to higher US soybean prices.

FURTHER INFORMATION:

WheatGlenn Lennox.....(204) 983-8465
E-maillennoxg@agr.gc.ca
Coarse Grains.....Dennis Jackson 983-8461
E-mailjacksond@agr.gc.ca
Oilseeds.....Stan Spak983-8467
E-mailspaks@agr.gc.ca
Fred Oleson, Chief983-0807
E-mailolesonf@agr.gc.ca

www.agr.gc.ca/mad-dam/

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

OCTOBER 24, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Ending Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|-------------|-----------------|-------------|----------------------|--------------------------|-----------------------------|------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 2000-2001 | 2,614 | 2.16 | 5,647 | 10 | 7,432 | 3,487 | 255 | 612 | 1,074 | 2,872 | 242.61 |
| 2001-2002 | 2,036 | 1.47 | 2,987 | 12 | 5,871 | 3,628 | 241 | 136 | 615 | 1,629 | 261* |
| 2002-2003f | 2,226 | 1.63 | 3,633 | 10 | 5,272 | 3,500 | 250 | 442 | 922 | 850 | 297** |
| Wheat Except Durum | | | | | | | | | | | |
| 2000-2001 | 8,349 | 2.53 | 21,157 | 50 | 27,131 | 13,623 | 2,760 | 3,116 | 6,722 | 6,786 | 182.41 |
| 2001-2002 | 8,550 | 2.06 | 17,581 | 85 | 24,452 | 12,579 | 2,841 | 3,387 | 7,013 | 4,859 | 207* |
| 2002-2003f | 6,672 | 1.78 | 11,861 | 100 | 16,820 | 6,100 | 2,850 | 3,515 | 7,220 | 3,500 | 304** |
| All Wheat | | | | | | | | | | | |
| 2000-2001 | 10,963 | 2.44 | 26,804 | 60 | 34,564 | 17,110 | 3,015 | 3,728 | 7,796 | 9,658 | |
| 2001-2002 | 10,585 | 1.94 | 20,568 | 97 | 30,323 | 16,207 | 3,083 | 3,523 | 7,628 | 6,488 | |
| 2002-2003f | 8,897 | 1.74 | 15,494 | 110 | 22,092 | 9,600 | 3,100 | 3,957 | 8,142 | 4,350 | |
| Barley | | | | | | | | | | | |
| 2000-2001 | 4,551 | 2.89 | 13,172 | 40 | 16,050 | 2,641 | 358 | 10,124 | 10,893 | 2,516 | 128.85 |
| 2001-2002 | 4,150 | 2.61 | 10,846 | 111 | 13,472 | 1,753 | 317 | 8,974 | 9,727 | 1,993 | 158.60 |
| 2002-2003f | 3,550 | 2.16 | 7,678 | 200 | 9,871 | 750 | 320 | 7,046 | 7,821 | 1,300 | 175-205 |
| Corn | | | | | | | | | | | |
| 2000-2001 | 1,088 | 6.27 | 6,827 | 2,872 | 11,251 | 104 | 2,145 | 8,087 | 10,267 | 880 | 119.64 |
| 2001-2002 | 1,267 | 6.62 | 8,389 | 3,870 | 13,139 | 200 | 2,285 | 9,564 | 11,883 | 1,056 | 132.90 |
| 2002-2003f | 1,265 | 6.75 | 8,540 | 5,000 | 14,596 | 400 | 2,425 | 10,636 | 13,096 | 1,100 | 135-165 |
| Oats | | | | | | | | | | | |
| 2000-2001 | 1,299 | 2.61 | 3,389 | 8 | 4,519 | 1,760 | 110 | 1,627 | 1,906 | 854 | 114.49 |
| 2001-2002 | 1,238 | 2.17 | 2,691 | 53 | 3,598 | 1,429 | 129 | 1,468 | 1,804 | 365 | 201.76 |
| 2002-2003f | 1,440 | 2.00 | 2,887 | 5 | 3,256 | 1,350 | 150 | 1,173 | 1,541 | 365 | 190-220 |
| Rye | | | | | | | | | | | |
| 2000-2001 | 115 | 2.27 | 260 | 5 | 426 | 89 | 68 | 175 | 260 | 77 | |
| 2001-2002 | 123 | 1.85 | 228 | 4 | 309 | 62 | 39 | 144 | 198 | 49 | |
| 2002-2003f | 77 | 1.73 | 133 | 5 | 187 | 40 | 38 | 51 | 107 | 40 | |
| Mixed Grains | | | | | | | | | | | |
| 2000-2001 | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002 | 159 | 2.80 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2002-2003f | 136 | 2.68 | 365 | 0 | 365 | 0 | 0 | 365 | 365 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 2000-2001 | 7,181 | 3.35 | 24,031 | 2,925 | 32,628 | 4,594 | 2,681 | 20,395 | 23,707 | 4,327 | |
| 2001-2002 | 6,937 | 3.26 | 22,600 | 4,038 | 30,964 | 3,443 | 2,770 | 20,596 | 24,059 | 3,462 | |
| 2002-2003f | 6,467 | 3.03 | 19,602 | 5,210 | 28,274 | 2,540 | 2,933 | 19,271 | 22,930 | 2,804 | |
| Canola | | | | | | | | | | | |
| 2000-2001 | 4,816 | 1.50 | 7,205 | 224 | 9,586 | 4,859 | 3,013 | 596 | 3,640 | 1,088 | 290.70 |
| 2001-2002 | 3,765 | 1.31 | 4,926 | 226 | 6,240 | 2,524 | 2,293 | 176 | 2,502 | 1,215 | 357.45 |
| 2002-2003f | 3,163 | 1.05 | 3,320 | 150 | 4,685 | 2,100 | 2,000 | 190 | 2,235 | 350 | 430-460 |
| Flaxseed excluding Solin | | | | | | | | | | | |
| 2000-2001 | 591 | 1.17 | 693 | 11 | 1,090 | 613 | n/a | n/a | 218 | 259 | 261.03 |
| 2001-2002 | 662 | 1.08 | 715 | 24 | 998 | 618 | n/a | n/a | 191 | 189 | 319.77 |
| 2002-2003f | 674 | 1.04 | 704 | 25 | 917 | 610 | n/a | n/a | 187 | 120 | 385-415 |
| Soybeans | | | | | | | | | | | |
| 2000-2001 | 1,061 | 2.55 | 2,703 | 431 | 3,386 | 747 | n/a | n/a | 2,454 | 185 | 255.74 |
| 2001-2002 | 1,070 | 1.53 | 1,635 | 980 | 2,800 | 490 | n/a | n/a | 2,138 | 172 | 269.01 |
| 2002-2003f | 1,025 | 2.30 | 2,361 | 400 | 2,933 | 500 | n/a | n/a | 2,193 | 240 | 285-315 |
| Total Oilseeds | | | | | | | | | | | |
| 2000-2001 | 6,468 | 1.64 | 10,601 | 666 | 14,062 | 6,219 | n/a | n/a | 6,312 | 1,532 | |
| 2001-2002 | 5,497 | 1.32 | 7,277 | 1,230 | 10,038 | 3,632 | n/a | n/a | 4,831 | 1,576 | |
| 2002-2003f | 4,862 | 1.31 | 6,385 | 575 | 8,536 | 3,210 | n/a | n/a | 4,615 | 710 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 2000-2001 | 24,612 | 2.50 | 61,436 | 3,651 | 81,254 | 27,923 | n/a | n/a | 37,815 | 15,517 | |
| 2001-2002 | 23,020 | 2.19 | 50,444 | 5,365 | 71,325 | 23,282 | n/a | n/a | 36,518 | 11,526 | |
| 2002-2003f | 20,227 | 2.05 | 41,481 | 5,895 | 58,902 | 15,350 | n/a | n/a | 35,688 | 7,865 | |

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

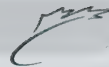
(d) Includes seed use. **For flaxseed and soybeans, food/industrial use and feed/waste/dockage are included in the total domestic use, but are not listed due to data confidentiality.**

(e) Crop year average prices: No. 1 CWRS and No. 1 CWAD (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No. 2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBOT nearby futures); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* September 2002 CWB Pool Return Outlook (PRO). ** October 2002 PRO. Prices for No. 1 CWRS and No. 1 CWAD with 11.5% protein for 2000-01 to 2002-03. This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, October 24, 2002

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

OCTOBER 17, 2002

Production of pulse and special crops for 2002-03 is forecast by AAFC to decrease by 23%, compared to 2001-02, to 2.83 million tonnes (Mt), based on Statistics Canada's September production estimate for dry peas, lentils, mustard seed and canary seed and AAFC's forecast for dry beans, chick peas, sunflower seed and buckwheat. Total supply is expected to decrease by 22% because of lower production and carry-in stocks. Total exports, domestic use and carry-out stocks for 2002-03 are forecast to decrease due to lower supply. Average prices, compared to 2001-02, are forecast to increase for dry peas, lentils, chick peas and sunflower seed, but decrease for dry beans, mustard seed and canary seed, and to be stable for buckwheat. However, prices are expected to be very sensitive to any production problems in major producing areas of the world, due to low world carry-in stocks.

For dry peas, lentils, chick peas, mustard seed and canary seed, average yields are forecast to be lower and abandonment rates higher than normal because a large portion of these crops are grown in the areas of Saskatchewan and Alberta which had drought during the growing period, and because of damage from frost, grasshoppers and excessive moisture in some of the wetter areas. The average quality of the dry pea, lentil and chick pea crops is lower than in 2001-02 because of significant damage from frost and rain. Therefore, price spreads between the grades for these crops are expected to be higher, compared to 2001-02. For dry beans, sunflower seed and buckwheat, near normal yields and abandonment rates are forecast because these crops are mostly grown in areas with better moisture conditions. Harvest progress is behind normal because of wet weather in many areas. Most of the chick pea and canary seed, as well as a significant portion of dry pea, lentil, dry bean and mustard seed crops, remain to be harvested. Most of the sunflower seeds remain to be harvested, but for this crop a late harvest is normal. The main factor to watch is weather during the rest of the harvest period.

DRY PEAS

For 2002-03, production is estimated to decrease by 32% from 2001-02, due to lower seeded area, much higher abandonment and lower yields. Total supply is estimated to decrease by 25%, as lower production is partly offset by higher carry-in stocks. Total world supply is expected to decrease by 9% to 10.0 Mt. Canadian exports and domestic use are forecast to decrease, due to the lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, grades and markets, is forecast to increase by about 10%, compared to 2001-02, as support from the lower supply is partly offset by lower average quality.

LENTILS

Production is estimated to decrease by 28%, due to lower seeded area and much higher abandonment. Production is expected to decrease for all types, including large green, medium green, small green and red. Total supply is estimated to decrease by 35%, due to lower production and carry-in stocks. Total world supply is expected to decrease by 8% to 3.4 Mt. Canadian exports are expected to decrease due to the lower supply. Carry-out stocks are forecast to decrease to a very low level. The average price, over all types and grades, is forecast to increase by about 15%, as support from the lower supply is partly offset by lower average quality.

DRY BEANS

Production is forecast to increase by 27%, due to an increase in seeded area. Production of white pea, dark and light red kidney, cranberry, black, pink and pinto beans is expected to increase, while production of small red and Great Northern beans decreases. Total supply is expected to increase by only 6% because of lower imports and carry-in stocks. Exports are forecast to be similar to 2001-02 and carry-out stocks are expected to increase, with a stocks-to-use (s/u) ratio of 10%. US production is expected to increase by 47% to 1.20 Mt. Total US and

Canadian supply is expected to increase by only 20% to 1.70 Mt, due to lower carry-in stocks. Average prices are expected to be lower than in 2001-02, except for Great Northern beans, for which prices are expected to be higher. The average price, over all classes and grades, is forecast to decrease by about 25% because of increased supply.

CHICK PEAS

Production is forecast to decrease by 66%, due to a decrease in seeded area and much higher abandonment. Production is expected to decrease for all three types, large kabuli, small kabuli and desi. Total Canadian supply is forecast to decrease by 43%, as higher carry-in stocks partly offset the decline in production. Total world supply is expected to fall by 6% to 7.7 Mt. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are forecast to decrease to a very low level. The average price over all types, sizes and grades is forecast to increase slightly, as support from the lower supply is mostly offset by lower average quality.

MUSTARD SEED

Production is estimated to increase by 78%, due to higher seeded area. Production is expected to increase for all three types, yellow, brown and oriental. Total supply is forecast to increase only slightly, due to sharply lower carry-in stocks. Canadian exports are expected to increase slightly. Carry-out stocks are forecast to decrease slightly, with a low s/u ratio of 13%. Average prices are expected to be lower than in 2001-02 for the yellow type because of expected increased supply in Canada and the US, but similar to 2001-02 for the brown type and higher for the oriental type. The average price, over all types and grades, is forecast to decrease by about 25%, but will remain at a historically high level.

CANARY SEED

Production is estimated to increase by 64%, due to higher seeded area. Total supply is forecast to increase by only 17%, due to lower carry-in stocks. Total world supply is forecast to increase by 16% to 275,000 t. Canadian exports are expected to increase, because of the higher supply. Carry-out stocks are forecast to increase slightly, with a s/u ratio of 19%. The average price is forecast to decrease by 10-15% because of increased supply, but will remain at a historically high level.

SUNFLOWER SEED

Production is forecast to increase by 44%, due to higher seeded area. Production is expected to increase for both confectionary and oilseed types. Total supply is forecast to increase by only 4% because of lower carry-in stocks. Exports and domestic use are expected to increase. Carry-out stocks are forecast to be low, with a s/u ratio of 12%. Total US production is expected to decrease by 24% to 1.176 Mt. Total world supply is expected to increase by 7% to 23.9 Mt. However, total US and Canadian supply of both types is expected to decrease significantly and prices are expected to rise. The average price in Canada, is forecast to increase by about 15%.

BUCKWHEAT

Production is forecast to decrease by 11%, as a decrease in seeded area is partly offset by higher yields. Total use is forecast to remain stable. The average price over all grades and markets is forecast to be similar to 2001-02, in line with stable world total supply of about 3.4 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mailskrypetz@agr.gc.ca
Fred Oleson, Chief(204) 983-0807
E-mail.....olesonf@agr.gc.ca

CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

OCTOBER 17, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Carry-out Stocks | Average Price (e) \$/t |
|---|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|---------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,727 | 1,705 | 647 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 | 1,220 | 2.35 | 2,864 | 12 | 3,276 | 2,196 | 885 | 195 | 138 |
| 2001-2002 | 1,290 | 1.57 | 2,023 | 27 | 2,245 | 1,264 | 706 | 275 | 190 |
| 2002-2003f | 1,082 | 1.27 | 1,378 | 30 | 1,683 | 1,000 | 583 | 100 | 195-225 |
| Lentils | | | | | | | | | |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 | 688 | 1.33 | 914 | 5 | 999 | 475 | 268 | 256 | 295 |
| 2001-2002 | 669 | .85 | 569 | 6 | 831 | 490 | 210 | 131 | 320 |
| 2002-2003f | 430 | .95 | 407 | 5 | 543 | 370 | 153 | 20 | 355-385 |
| Dry Beans | | | | | | | | | |
| 1998-1999 | 96 | 1.98 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 | 165 | 1.62 | 268 | 40 | 348 | 227 | 71 | 50 | 465 |
| 2001-2002 | 164 | 1.70 | 279 | 42 | 371 | 275 | 76 | 20 | 725 |
| 2002-2003f | 215 | 1.65 | 355 | 20 | 395 | 275 | 85 | 35 | 515-545 |
| Chick Peas | | | | | | | | | |
| 1998-1999 | 40 | 1.33 | 53 | 2 | 56 | 14 | 37 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 | 283 | 1.37 | 388 | 5 | 408 | 179 | 199 | 30 | 410 |
| 2001-2002 | 460 | .97 | 447 | 12 | 489 | 190 | 179 | 120 | 380 |
| 2002-2003f | 155 | .97 | 150 | 10 | 280 | 170 | 100 | 10 | 370-400 |
| Mustard Seed | | | | | | | | | |
| 1998-1999 | 279 | .86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 | 208 | .97 | 202 | 1 | 318 | 151 | 62 | 105 | 280 |
| 2001-2002 | 160 | .67 | 107 | 3 | 215 | 148 | 34 | 33 | 685 |
| 2002-2003f | 263 | .72 | 190 | 1 | 224 | 150 | 49 | 25 | 505-535 |
| Canary Seed | | | | | | | | | |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 | 164 | 1.04 | 171 | 0 | 261 | 170 | 21 | 70 | 265 |
| 2001-2002 | 164 | .69 | 113 | 0 | 183 | 129 | 24 | 30 | 660 |
| 2002-2003f | 247 | .75 | 185 | 0 | 215 | 150 | 30 | 35 | 560-590 |
| Sunflower Seed | | | | | | | | | |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 | 69 | 1.72 | 119 | 18 | 178 | 77 | 55 | 46 | 320 |
| 2001-2002 | 67 | 1.55 | 104 | 30 | 180 | 92 | 66 | 22 | 355 |
| 2002-2003f | 95 | 1.58 | 150 | 15 | 187 | 95 | 72 | 20 | 400-430 |
| Buckwheat | | | | | | | | | |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 | 15 | .93 | 14 | 1 | 16 | 9 | 7 | 0 | 305 |
| 2001-2002 | 13 | 1.15 | 15 | 1 | 16 | 8 | 7 | 1 | 325 |
| 2002-2003f | 11 | 1.18 | 13 | 1 | 15 | 8 | 7 | 0 | 310-340 |
| Total Pulse And Special Crops(c) | | | | | | | | | |
| 1998-1999 | 2,156 | 1.70 | 3,660 | 109 | 4,346 | 2,634 | 1,081 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 | 2,812 | 1.76 | 4,940 | 82 | 5,804 | 3,484 | 1,568 | 752 | |
| 2001-2002 | 2,987 | 1.22 | 3,657 | 121 | 4,530 | 2,596 | 1,302 | 632 | |
| 2002-2003f | 2,498 | 1.13 | 2,828 | 82 | 3,542 | 2,218 | 1,079 | 245 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, October 17, 2002.

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|-------------|------------|------------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| | | | | | | | | | | | | | | | | | |
| Vancouver B.C. | This week | FOB | 213.16 | N/A | 213.16 | 210.00 | | 346.00 | (7) 222.00 | 185.00 | 330.00 | (4) 900.00 | 510.00 | | | | 430.00 |
| | Week ago | | 213.16 | | 213.16 | 201.00 | | 348.50 | (7) 239.00 | 185.00 | 335.00 | (4) 900.00 | 510.00 | | | | 430.00 |
| Calgary | This week | FOB | 190.00 | N/A | 190.00 | 195.00 | | 333.50 | N/A | | 290.00 | (4) 950.00 | 545.00 | | | | 430.00 |
| Alta | Week ago | | 190.00 | | 190.00 | 200.00 | | 332.50 | | | 295.00 | (4) 950.00 | 545.00 | | | | 430.00 |
| Saskatoon | This week | FOB | 178.50 | 230.00 | 178.50 | 190.00 | | 325.00 | 217.00 | | 290.00 | (4) N/A | 545.00 | | 191.67 | | 480.00 |
| Sask. | Week ago | | 176.50 | 230.00 | 176.00 | 190.00 | | 325.00 | 221.00 | | 295.00 | (4) N/A | 545.00 | | 190.00 | | 480.00 |
| Melfort | This week | FOB | N/A | N/A | N/A | | | | | | | | | | | | |
| Sask. | Week ago | | N/A | N/A | N/A | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 180.00 | (9) 220.46 | 180.00 | 180.00 | | 309.00 | 207.00 | | 310.00 | (4) 912.50 | 450.00 | | | | 450.00 |
| Man. | Week ago | | 181.00 | (9) 220.00 | 180.50 | 180.00 | | 309.00 | 211.00 | | 320.00 | (4) 912.50 | 450.00 | | | | 450.00 |
| Thunder Bay | This week | In-store | (8) 187.50 | N/A | (8) 190.00 | | | | | | | | | | | | |
| Ont. | Week ago | | (8) 181.50 | N/A | (8) 188.00 | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 171.81 | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 170.03 | | | | | | | | | | | |
| Bay Ports | This week | In-store | 210.00 | 325.00 | N/A | | | | | | | | | | | | |
| Ont. | Week ago | | 207.50 | 320.00 | N/A | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 168.40 | | | | | | | | | | | |
| Ont. | Week ago | | | | | 168.00 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Hamilton | This week | N/A | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 175.00 | | | | | | | | | | | |
| Ont. | Week ago | | | | | 168.50 | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | | | | | | | | | | | |
| Que. | Week ago | | | | | | | | | | | | | | | | |
| Trois Riv. | This week | In-store | 231.00 | | 247.30 | 186.11 | | | | | | | | | | | |
| Que. | Week ago | | 228.50 | | 245.00 | 182.96 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | 188.67 | 208.75 | 160.58 | (2) 176.66 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | 189.50 | 208.75 | 159.50 | (2) 176.66 | | | | | | | | | | | |
| Quebec | This week | In-store | 209.00 | | 227.87 | 187.82 | | | | | | | | | | | |
| Que. | Week ago | | 205.67 | | 223.67 | 186.51 | | | | | | | | | | | |
| Truro | This week | Track | 242.05 | N/A | 259.17 | 217.78 | | | | | | | | | | | |
| N.S. | Week ago | | 239.04 | N/A | 252.47 | 222.86 | | | | | | | | | | | |
| Truro | This week | Water | 248.00 | N/A | N/A | N/A | | | | | | | | | | | |
| N.S. | Week ago | & Truck | 244.50 | N/A | N/A | N/A | | | | | | | | | | | |
| Halifax | This week | In-store | 239.00 | N/A | N/A | N/A | | | | | | | | | | | |
| N.S. | Week ago | | 235.50 | N/A | N/A | N/A | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754 N/A = not available US \$1,000=Cdn \$1,5020 as of October 08, 2002

Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat. No. 1 Feed Oats. No. 1 Canada Western or Eastern Barley. No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canada Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat KCWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Futures WCE (9) KCW

As of Monday October 7, 2002

| NAME OF CONTRACT | SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|----------------------|----------------|--------------------------|--------|-----------|----------|-----------|----------|
| From: Thunder Bay 2 | | In-Store | WHEAT | 187.50 | 181.50 | | 159.00 |
| | CBOT | | OATS | N/A | N/A | | 231.62 |
| | LETHBRIDGE | | BARLEY | 190.00 | 188.00 | | 156.20 |
| To: Bayports, Ont. | | In-store | WHEAT | 211.11 | 205.11 | 1. | 182.10 |
| | | | OATS | N/A | N/A | 1. | N/A |
| | | | BARLEY | 217.39 | 215.39 | 1. | 183.35 |
| Montreal, Que. | | In-store | WHEAT | 215.53 | 209.53 | 1. | 186.85 |
| | | | OATS | N/A | N/A | 1. | N/A |
| | | | BARLEY | 222.31 | 220.31 | 1. | 188.47 |
| Moncton, N.B | | Truck via Halifax | WHEAT | 237.75 | 231.75 | | 209.32 |
| | | | OATS | N/A | N/A | | N/A |
| | | | BARLEY | 246.50 | 244.50 | | 214.83 |
| Truro, N.S. | | Truck via Halifax | WHEAT | 231.72 | 225.72 | | 206.82 |
| | | | OATS | N/A | N/A | | N/A |
| | | | BARLEY | 244.00 | 242.00 | | 209.95 |
| Halifax, N.S. | | In-store | WHEAT | 222.78 | 216.78 | 1. | 194.15 |
| | | | OATS | N/A | N/A | 1.0 | N/A |
| | | | BARLEY | 230.30 | 228.30 | 1.0 | 196.27 |
| Stephenville, Nfld. | | Track / Truck via Sydney | WHEAT | 286.13 | 280.13 | | 253.93 |
| | | | OATS | N/A | N/A | | 337.82 |
| | | | BARLEY | N/A | N/A | | 263.34 |
| From: Melfort, Sask. | | FOB | WHEAT | N/A | N/A | | 153.00 |
| | | | OATS | N/A | N/A | | 213.52 |
| | | | BARLEY | N/A | N/A | | 145.20 |
| To: Bayports, Ont. | | Track | WHEAT | N/A | N/A | | 202.15 |
| | | | OATS | N/A | N/A | | 270.41 |
| | | | BARLEY | N/A | N/A | | 194.90 |
| Montreal, Que. | | Track | WHEAT | N/A | N/A | | 202.91 |
| | | | OATS | N/A | N/A | | 274.13 |
| | | | BARLEY | N/A | N/A | | 195.72 |
| Moncton, N.B. | | Track | WHEAT | N/A | N/A | | 231.19 |
| | | | OATS | N/A | N/A | | 298.41 |
| | | | BARLEY | N/A | N/A | | N/A |
| Truro, N.S. | | Track | WHEAT | N/A | N/A | | 229.38 |
| | | | OATS | N/A | N/A | | 299.42 |
| | | | BARLEY | N/A | N/A | | N/A |
| Stephenville, Nfld | | Track / Truck via Sydney | WHEAT | N/A | N/A | | 276.44 |
| | | | OATS | N/A | N/A | | 348.70 |
| | | | BARLEY | N/A | N/A | | N/A |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|-----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 171.81 | 170.03 | | 180.49 | 131.10 |
| To: Montreal, Que. (US Corn) | In-store | | 190.85 | 189.07 | 1.0 | 199.39 | 150.00 |
| From: Chicago (Mi) | Track | | 165.53 | 163.82 | | 176.49 | 127.41 |
| To: Montreal, Que. (US Corn) | Track | | 194.39 | 192.68 | | 205.52 | 156.44 |
| From: Chatham | Track | | 168.40 | 168.00 | | 181.58 | 148.12 |
| To: Montreal, Que. | Track | | 192.20 | 191.80 | | 204.96 | 171.50 |

| From: Hamilton, Ont. | | 309.86 | 325.62 | 335.98 | 333.45 |
|----------------------|--------------------------|--------|--------|--------|--------|
| To: Montreal, Que. | Track | 334.19 | 349.95 | 360.40 | 357.87 |
| Moncton, N.B. | Track | 352.94 | 368.70 | 383.61 | 381.08 |
| Truro, N.S. | Track | 356.16 | 371.92 | 382.44 | 379.91 |
| Stephenville, Nfld. | Track / Truck via Sydney | 404.79 | 420.55 | 431.24 | 428.71 |

1. Prices include ONE month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | |
|---|------------------|-------------|-----------|------------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------------------------|-----------|---------------|--------------|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 46% | CANOLA MEAL | MILL-FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | As of Monday October 21, 2002 | | | |
| | | | | | | | | | | | | | | GLUTEN MEAL | FEED PEAS | DEHY. ALFALFA | FEATHER MEAL |
| Vancouver B.C. | This week | FOB | 218.16 | N/A | 216.16 | 202.00 | | 329.00 | (7) 221.00 | 185.00 | 325.00 | (4) 900.00 | 510.00 | | | | 430.00 |
| | Week ago | | 218.16 | N/A | 216.16 | 201.50 | | 347.00 | (7) 224.50 | 185.00 | 330.00 | (4) 900.00 | 510.00 | | | | 430.00 |
| Calgary Alta | This week | FOB | 195.00 | N/A | 193.00 | 197.00 | | 325.00 | N/A | | 285.00 | (4) 950.00 | 545.00 | | | | 430.00 |
| | Week ago | | 195.00 | N/A | 193.00 | 195.00 | | 328.00 | N/A | | 290.00 | (4) 950.00 | 545.00 | | | | 430.00 |
| Saskatoon Sask. | This week | FOB | 179.00 | 230.50 | 175.00 | 188.00 | | 319.50 | 220.00 | | 285.00 | (4) N/A | 545.00 | | 196.67 | | 460.00 |
| | Week ago | | 179.00 | 230.50 | 175.00 | 185.00 | | 321.50 | 220.00 | | 290.00 | (4) N/A | 545.00 | | 196.67 | | 460.00 |
| Melfort Sask. | This week | FOB | N/A | N/A | N/A | | | | | | | | | | | | |
| Winnipeg Man. | Week ago | | N/A | N/A | N/A | | | | | | | | | | | | |
| | This week | FOB | 177.50 | (9) 220.00 | 187.50 | 177.00 | | 303.00 | 210.00 | | 305.00 | (4) 892.50 | 450.00 | | | | 450.00 |
| Thunder Bay Ont. | Week ago | | 180.50 | (9) 220.00 | 182.00 | 178.00 | | 305.50 | 210.00 | | 305.00 | (4) 912.50 | 450.00 | | | | 450.00 |
| | This week | In-store | (8)194.40 | N/A | (8) 189.70 | | | | | | | | | | | | |
| Lake Ports USA | Week ago | | (8)188.50 | N/A | (8) 190.00 | | | | | | | | | | | | |
| | This week | On Board | | | | 168.50 | | | | | | | | | | | |
| Bay Ports Ont. | Week ago | Vessel | | | | 164.97 | | | | | | | | | | | |
| Chatham Ont. | This week | In-store | 213.40 | 325.00 | N/A | | | | | | | | | | | | |
| | Week ago | | 210.00 | 325.00 | N/A | | | | | | | | | | | | |
| Toronto Ont. | This week | Track | | | | 168.20 | | | | | | | | | | | |
| Hamilton Ont. | Week ago | | | | | 161.70 | | | | | | | | | | | |
| | This week | N/A | | | | | FOB | | | | | | | | | | |
| Eastern Ontario | Week ago | | | | | | | | | | | | | | | | |
| | This week | N/A | | | | | FOB | 308.31 | N/A | | | | | | | | |
| London Ont. | Week ago | | | | | | | 304.68 | N/A | | | | | | | | |
| | This week | FOB | | | | 164.50 | | | | | | | | | | | |
| Port Colborne Ont. | Week ago | | | | | 164.00 | | | | | | | | | | | |
| | This week | FOB | | | | | | | | | | | | | | | |
| Cardinal Ont. | Week ago | | | | | | | | | | | | | | | | |
| | This week | FOB | | | | | | | | | | | | | | | |
| Montreal Que. | Week ago | | | | | | | | | | | | | | | | |
| | This week | | | | | | FOB | 329.10 | 237.76 | 154.83 | 298.00 | (5) 850.00 | 375.00 | 485.00 | 167.00 | 265.00 | 380.00 |
| Trois-Riv. Que. | Week ago | | | | | | | 332.27 | 233.74 | 152.33 | 298.00 | (5) 850.00 | 347.00 | 495.00 | 167.00 | 265.00 | 380.00 |
| | This week | In-store | 228.40 | | 244.00 | 181.19 | | | | | | | | | | | |
| St-Jean-Que. | Week ago | | 238.00 | | 245.50 | 177.45 | | | | | | | | | | | |
| | This week | FOB | 191.13 | 208.75 | 157.50 | (2) 165.84 | | | | | | | | | | | |
| Quebec Que. | Week ago | | 191.00 | 205.00 | 157.38 | (2) 169.18 | | | | | | | | | | | |
| | This week | In-store | 213.20 | | 231.00 | 185.39 | FOB | 330.20 | | | | | | | | | |
| Truro N.S. | Week ago | | 209.67 | | 223.50 | 181.78 | | 331.25 | | | | | | | | | |
| | This week | Track | 241.22 | N/A | 253.07 | 214.37 | FOB | 355.77 | 259.65 | | 334.00 | | 430.00 | | | | 380.00 |
| Truro N.S. | Week ago | | 246.24 | N/A | 252.27 | 214.26 | | 357.37 | 265.38 | | 334.00 | | 430.00 | | | | 380.00 |
| | This week | Water | 248.85 | N/A | N/A | N/A | | | | | | | | | | | |
| Halifax N.S. | Week ago | & Truck | 249.00 | N/A | N/A | N/A | | | | | | | | | | | |
| | This week | In-store | 239.85 | N/A | N/A | N/A | FOB | | | | | | | | | | |
| Week ago | | | 240.00 | N/A | N/A | N/A | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard

Tel: (514) 283-3815 (575) Fax: (514) 283-2754

US \$/100=Cdn \$/1,5674 as of October 21, 2002

N/A = not available

Source: Winnipeg Commodities Exchange market close

Sources: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754 N/A = not available US \$/100c/lb \$/1,5674 as of October 21, 2002
 Thunder Bay prices are based on the Winnipeg Commodities Exchange market close
 Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk Basis, Canola Meal Protein based on minimum standard of 35%, Gluten Feed 21% Protein, Fish Meal white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

| B. CASH PRICES AND REPLACEMENT VALUES | As of Monday October 21, 2002 |
|---------------------------------------|-------------------------------|
|---------------------------------------|-------------------------------|

| PRAIRIE GRAINS | | | | | | | |
|----------------------|--------------------------|--------|-----------|----------|-----|-----------|----------|
| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: Thunder Bay 2 | In-Store | WHEAT | 194.40 | 188.50 | | 178.20 | 161.40 |
| | | OATS | N/A | N/A | | N/A | 223.00 |
| | | BARLEY | 189.70 | 190.00 | | 186.20 | 162.00 |
| To: Bayports, Ont. | In-store | WHEAT | 218.01 | 212.11 | 1. | 201.30 | 184.50 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 217.09 | 217.39 | 1. | 213.35 | 189.15 |
| Montreal, Que. | In-store | WHEAT | 222.43 | 216.53 | 1. | 206.05 | 189.25 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 222.01 | 222.31 | 1. | 218.47 | 194.27 |
| Moncton, N.B | Truck via Halifax | WHEAT | 244.65 | 238.75 | | 228.52 | 211.72 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 246.20 | 246.50 | | 244.83 | 220.63 |
| Truro, N.S. | Truck via Halifax | WHEAT | 238.62 | 232.72 | | 226.02 | 209.22 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 243.70 | 244.00 | | 239.95 | 215.75 |
| Halifax, N.S. | In-store | WHEAT | 229.68 | 223.78 | 1. | 213.35 | 196.55 |
| | | OATS | N/A | N/A | 1.0 | N/A | N/A |
| | | BARLEY | 230.00 | 230.30 | 1.0 | 226.27 | 202.07 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 293.03 | 287.13 | | 273.13 | 256.33 |
| | | OATS | N/A | N/A | | N/A | 329.20 |
| | | BARLEY | N/A | N/A | | 293.34 | 269.14 |
| From: Melfort, Sask. | FOB | WHEAT | N/A | N/A | | N/A | 152.40 |
| | | OATS | N/A | N/A | | N/A | 204.83 |
| | | BARLEY | N/A | N/A | | N/A | 153.00 |
| To: Bayports, Ont. | Track | WHEAT | N/A | N/A | | N/A | 201.55 |
| | | OATS | N/A | N/A | | N/A | 261.72 |
| | | BARLEY | N/A | N/A | | N/A | 202.70 |
| Montreal, Que. | Track | WHEAT | N/A | N/A | | N/A | 202.31 |
| | | OATS | N/A | N/A | | N/A | 265.44 |
| | | BARLEY | N/A | N/A | | N/A | 203.52 |
| Moncton, N.B. | Track | WHEAT | N/A | N/A | | N/A | 230.59 |
| | | OATS | N/A | N/A | | N/A | 289.72 |
| | | BARLEY | N/A | N/A | | N/A | N/A |
| Truro, N.S. | Track | WHEAT | N/A | N/A | | N/A | 228.78 |
| | | OATS | N/A | N/A | | N/A | 290.73 |
| | | BARLEY | N/A | N/A | | N/A | N/A |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | N/A | N/A | | N/A | 275.84 |
| | | OATS | N/A | N/A | | N/A | 340.01 |
| | | BARLEY | N/A | N/A | | N/A | N/A |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|-----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 168.50 | 164.97 | | 170.76 | 133.69 |
| To: Montreal, Que. (US Corn) | In-store | | 187.54 | 184.01 | 1.0 | 189.66 | 152.59 |
| From: Chicago (Mi) | Track | | 161.69 | 157.46 | | 164.57 | 126.24 |
| To: Montreal, Que. (US Corn) | Track | | 190.55 | 186.32 | | 193.60 | 155.27 |
| From: Chatham | Track | | 168.20 | 161.70 | | 169.18 | 145.86 |
| To: Montreal, Que. | Track | | 192.00 | 185.50 | | 192.56 | 169.24 |

| | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 308.31 | 304.68 | | 335.43 | 306.77 |
| To: Montreal, Que. | Track | | 332.64 | 329.01 | | 359.85 | 331.19 |
| Moncton, N.B. | Track | | 351.39 | 347.76 | | 383.06 | 354.40 |
| Truro, N.S. | Track | | 354.61 | 350.98 | | 381.89 | 353.23 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 403.24 | 399.61 | | 430.69 | 402.03 |

- Prices include ONE month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

n/a = not available

Source: Economic and Industry Analysis Division, Market Research and Analysis Section
 Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Bi-weekly Bulletin

November 8, 2002 Volume 15 Number 20



MEXICO: PORK

Mexico pork imports are projected to increase significantly over the medium-term, due to rising per capita pork consumption, population growth, an expanding middle-class, and an increasing domestic pork deficit. Growth of the Canadian hog industry, Canada's reputation for a consistent and high quality product, and the elimination of Mexico's pork import safeguard tariff will result in increased Canadian exports of pork to Mexico. This issue of the *Bi-weekly Bulletin* examines Mexico's pork supply and demand situation and outlook, and the implications on western Canadian pork exports and feedgrain demand.

NAFTA and Trade

In 1994, Canada, the United States (US), and Mexico formed the world's largest free trade area when the *North American Free Trade Agreement* (NAFTA) came into effect. Mexican imports of Canadian agriculture and agri-food products have increased from about US\$432 million (M) in 1996 to about US\$786M in 2001. This represents about 7% of total Mexican agri-food imports. The US maintains approximately 75% of the Mexican market, however, this includes transshipment of Canadian products through the US.

Historically, Canadian exports to Mexico have been dominated by bulk commodities such as grains and oilseeds. However, exports, in just three years, have diversified to include a higher percentage of value-added

products. In 2001, bulk commodities represented about 42% of total agri-food exports compared to about 62% in 1998. While grains and oilseeds exports have continued to rise during this period, meat and meat products have accounted for the majority of the increase in exports. Meat exports to Mexico have soared from a value of CAN\$12M in 1998 to over CAN\$272M in 2001. In 2001, red meat exports accounted for almost 30% of the total exports by value and approximately 92% of the increase in exports since 1998. Mexico now ranks as Canada's third largest pork export market and accounts for approximately 13% of all Canadian pork and pork product exports.

MEXICO

Elimination of Tariffs

As established in Article 703.3 of NAFTA, Mexico has applied a safeguard quota tariff on live hogs and pork from Canada since 1994. Since 1994, the allowable annual quota for swine, pork products, and fresh and frozen pork has increased by 5% per year, translating into higher exports. Beginning in 2003, these tariffs are scheduled to be eliminated which is expected to provide Canadian pork producers with increased access to meet Mexico's expanding needs. However, there is increasing domestic pressure for the Mexican government to provide some financial assistance to Mexican pork producers in view of the expected increase in exports from the US and Canada.

NAFTA SAFEGUARD QUOTAS ON PORK*: CANADA TO MEXICO

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----------|
| Quota (tonnes) | 6,000 | 6,300 | 6,615 | 6,946 | 7,293 | 7,658 | 8,041 | 8,443 | 8,865 | unlimited |
| Tariffs: In Quota | 18% | 16% | 14% | 12% | 10% | 8% | 6% | 4% | 2% | 0% |
| Out Quota | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 0% |

* fresh or frozen

Source: Canadian Embassy in Mexico City



Canada

Pork Demand

Pork has always been an important component of the Mexican diet. Per capita consumption of pork in 2001 was about 11 kilograms (kg) and is expected to increase modestly to about 12.5 kg by 2005. Consumption is expected to increase in part, because pork is expected to become increasingly more price competitive versus beef. In addition, a slowing economy creates a demand for pork, because it encourages substitution from more expensive beef, to pork. This growth however, will be constrained by competition from lower priced poultry.

Pork demand is expected to continue to increase due to the growth of the Mexican middle class, a market which has grown to over 20 million people and is expected to continue to grow. About 50% of Mexico's population is between the ages of 15 and 44, an age group which is moving to the cities in greater numbers and purchasing a larger proportion of their food requirements at large retail markets and convenience stores. Canadian pork imports are traditionally sold in these large retail stores and the increasing levels and regularity with which consumers purchase pork in such retail markets should translate into higher demand for Canadian pork.

In Mexico, over 60% of all food products are now purchased in supermarket chains. Supermarket sales for 2001 have risen by 10% over the level in 2000. Sales of consumer products have increased by 269% from 1998 to 2001, from about \$84M to over \$309M, respectively. The growth is due in part to the larger number of women that have joined the workforce. The continuation of this trend is expected to increase the demand for ready cut pork supplied by the large retail stores.

The Mexican Pork Sector

Mexican hog producers are classified by the Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion (SAGARPA), according to the level of technology they employ. These are described as technified, semi-technified and family units.

The **technified** producers account for about 60% of Mexican pork production. They maintain specialized sites, and operate under strict controls. Reproduction techniques and genetics play an important role. This sector is able to meet the sanitary inspection standards at the federally inspected slaughter facilities known as Tipo Inspeccion Federal (TIF). Ownership of the technified producers is dominated by large vertically-integrated companies who are best able to comply with the

standards of the TIF because they control the entire process from hog production to distribution.

Semi-technified producers take only limited advantage of advanced breeding methods. Sanitary control is generally deficient and genetic quality and production tends to be lower. These producers account for approximately 20% of total production.

Family production of pork is still common in Mexico, accounting for about 20% of production. Sanitary problems are quite common and production quality is quite low.

Until 1988, the Mexican pork industry developed under the protection of government-imposed price controls and import restrictions. The end result was the development of an inefficient industry, comprised of many small producers that were ultimately unable to meet the nation's growing needs.

In 1988, price controls were eliminated and imports were allowed. This forced the pork industry to become more efficient through the expansion of large vertically and horizontally integrated production companies. As a result, the continued expansion of these large vertically integrated companies has offset the loss of many medium and small sized farms which were not competitive under the cost/price structure of the industry. A larger number of TIF plants plus further integration of swine producers, slaughtering and marketing activities are expected to contribute to Mexico's expanding pork production in future years.

Despite these efficiency gains, the industry is still not able to keep pace with increasing pork consumption demands. Production in 2002 is expected to increase by about 1.3%. Total use is expected to increase by about 2% and 7 to 10% in the following years. Over the next four years Mexico's pork import needs are expected to increase, due to rising consumption, population growth and a growing middle-class. Projections by the Universidad Autonoma Chapingo in Mexico show the deficit in pork

MEXICO: PORK SUPPLY AND DISPOSITION

| | 1999 | 2000 | 2001 | 2002e | 2003f |
|---------------------|---------------------------|--------------|--------------|--------------|--------------|
| |thousand tonnes..... | | | | |
| Production | 994 | 1,029 | 1,143 | 1,158 | 1,218 |
| Imports from: | | | | | |
| Canada | 18 | 32 | 38 | 42 | 46 |
| US | 228 | 298 | 314 | 339 | 379 |
| Other | 28 | 2 | 13 | 13 | 13 |
| Transshipments* | 28 | 31 | 31 | 30 | 36 |
| Total Imports | 302 | 363 | 396 | 424 | 474 |
| Total Supply | 1,296 | 1,392 | 1,539 | 1,582 | 1,692 |
| Exports | 26 | 32 | 36 | 43 | 47 |
| Domestic Use | 1,270 | 1,360 | 1,503 | 1,539 | 1,645 |
| Total Use | 1,296 | 1,392 | 1,539 | 1,582 | 1,692 |

* Transshipments = Mexican Secretariat of Agriculture Canadian - Statistics Canada import statistics.

e: estimate, AAFC, October 2002

f: forecast, AAFC, October 2002

Source: Mexican Secretariat of Agriculture except for *Imports from Canada* which are Statistics Canada.

production could rise from an estimated 424,000 tonnes (t) in 2002 to 663,468 t by 2006.

Preference for Canadian Pork

Several of the largest pork processors in Mexico buy imported pork because of the shortage of carcasses that meet TIF sanitary inspection standards. They have a positive perception of the

Canadian industry and know they can expect a consistent product. Canada produces high quality pork, that is, a very lean carcass with very good meat quality and has a positive international image in this regard. This is, to a large extent, due to years of testing and selection as part of our Canadian Swine Improvement Program. In western Canada, the use of higher levels of barley in feed rations

creates a firmer, whiter fat, which is ideal for processing use. Mexican consumers are very price conscious and the quality advantages of Canadian pork are often not perceived. Point-of-sale product promotion is common in Mexico which can provide additional opportunities to promote Canadian quality, leanness, shelf life, and taste.

WESTERN CANADA: FEED USE

Historically, abundant supplies of feedgrain, related to relatively low land and production costs, have made western Canada one of the lowest cost pork production areas in the world. The hog industries in the three prairie provinces have plans to continue to expand hog production. In Manitoba, total hog production is expected to increase from 6.3 million head (Mhd) in 2001 to 9.0 Mhd by 2005. In Saskatchewan, a relatively modest growth rate of 12% per annum will increase production from about 1.7 Mhd in 2001 to a projected 2.7 Mhd by 2005. In Alberta, production was about 3.6 Mhd in 2001 and is projected to reach 4.5 Mhd by 2005.

Feed Use

In general, 1 t of feedgrain is required to produce 3 hogs to market. In 2001, total western Canadian hog inventories were 11.6 Mhd which implies feed consumption demand of almost 3.9 Mt. By 2005, hog feed demand is forecast to require about 5.4 Mt of feedgrains, based on inventory projections of 16.2 Mhd. Western Canada can fill the feedgrain requirement by diverting a higher percent of total grain production to feed use and/or by importing corn, such as in 2001-2002, when drought conditions reduced domestic feedgrain supplies.

Value-added

As a value-added success story, hog expansion in western Canada has provided increased economic activity and sustainability to rural economies. Prairie hog industry growth has contributed to increasing levels of domestic feed use. In turn, this has diverted feed barley from the export market to the domestic feed market. In 1990-1991, the western Canadian domestic feed market consumed about 7.3 Mt of barley. By 2001-2002 consumption was over 9.0 Mt. At the same time, feed barley exports were reduced from about 4.1 Mt in 1990-1991 to just 56,000 t in 2001-2002.

Lower exports

The domestic market can provide higher on-farm returns to barley producers because it entails lower freight and handling charges when compared to the export market. As a result of the removal of the *Western Grain Transportation Act* in 1995, the costs of exporting grain from western Canada, the eastern prairies in particular, increased substantially. This significantly increased the economic advantage of utilizing the grain on the prairies for livestock feed rather than for export. In addition, the off-Board market provides full payment upon delivery whereas producers delivering to the Canadian Wheat Board (CWB) pool must wait several months for the final payment. For 2002-2003, due to the small size of the crop and shortage of feedgrain, off-Board prices have increased substantially and most of the barley will be delivered to the off-Board market. As a result, CWB feed barley exports, are expected to be negligible.

Corn Imports

In years with normal growing conditions and yields, western Canada produces more than enough barley to support its livestock feed requirements. Low barley supplies in 2001-2002 due to drought conditions, have led to an estimated record import of 2.0 Mt of US corn into western Canada to fill the livestock feed requirement. For 2002-2003, the continuation of drought in western Canada resulted in the lowest domestic barley production since 1968. US corn imports into western Canada are expected to set a new record at 3.1 Mt. Canada's total corn imports are forecast at 5.0 Mt which will make it the fifth largest corn importer globally. In comparison, during normal growing years, such as in 1999-2000, Canadian corn imports were only 1.1 Mt.

Western Canada imports the majority of its corn from Minnesota, North Dakota, Montana, and South Dakota. The United States Department of Agriculture October 20, 2002 *Crop Progress Report* indicates that both production and quality for these four states in 2002 are expected to be above-average. Therefore, hog producers in western Canada will have access to ample supplies of US corn at competitive prices.

Processing capacity

In 1998, hog prices fell dramatically when North American production surpassed processing and kill and cut capacity. Currently, western Canada has excess processing capacity and its hog expansion efforts should not adversely affect prices.

Mexican pork processors are interested in creating alliances with foreign producers as a means of improving their cost competitiveness and quality standards. The Canada Trade Mission to Mexico in June 2002, led by International Trade Minister Pierre Pettigrew, was successful in creating stronger trade ties with Mexico. Accompanying delegates made valuable business linkages and signed numerous agreements which will enhance trade within the framework of NAFTA.

One of the significant agreements announced was a letter of intent between Pure Lean Pork Inc., of Medicine Hat, Alberta and Agropecuaria Sapomora S.P.R. de R.L. of Navajo, Mexico, to participate in a joint venture to use Pure Lean's new hog production and biowaste composting systems. The first joint venture outside of the Prairies for Pure Lean Inc., valued at CAN\$2.0M, is considered an excellent opportunity for production expansion internationally. Growing vertically integrated companies that need to fill gaps in their production lines provide such opportunities.

CANADA

Pork Exports

Canadian exports of pork to Mexico have increased dramatically since the inception of NAFTA. Exports have risen in unison with the escalating safeguard quotas. For example, from 1999 to 2001, the quantity of Canadian pork exports increased from 18,025 t to more

than 37,846 t. This does not account for possible transshipments from Canada through the US. Import statistics from the Mexican Secretariat of Agriculture indicate that imports from Canada in 1999 and 2001 were as high as 46,000 t and 69,000 t respectively.

The largest pork exports to Mexico were recorded in western Canada where exports increased from 4,068 t in 1999 to 23,578 t in 2001, an increase of almost 480%. Western Canada now accounts for over 62% of all pork exported to Mexico. This trend is expected to continue.

The majority of the new hog production in Canada over the last four years has been located in western Canada. Manitoba's sales during the 1999-2001 period have increased from 1,655 t to 19,955 t. Likewise, Alberta's exports have risen from 1,581 t to 3,418 t.

Outlook

Western Canadian hog production is expected to continue to expand despite higher feed costs this year due to the drought. The elimination of the safeguard quota on imports into Mexico should provide increased market access for Canadian pork exports. Mexican pork consumption is expected to increase due to an expanding middle class, higher per capita consumption and a slight shift from beef to less expensive pork. As a result, Canadian pork exports to Mexico in 2003 are expected to surpass the record estimated for 2002.

By 2005, Canadian pork and pork products exports to Mexico could easily surpass 100,000 t (including transshipments) assuming US market share in Mexico remains at about 80%. Over the medium-term, kill and cut capacity in western Canada will have to expand to keep pace with the expanding hog industry and increasing pork exports to Mexico.

**For more information,
please contact:**

**Sergio Novelli,
Market Analyst
Phone: (204) 983-6865
E-mail: novellis@agr.gc.ca**

| MEXICO: PORK IMPORTS FROM CANADA | | | | | |
|---|---------------------------|-------------|-------------|-------------|-------------|
| | 1999 | 2000 | 2001 | 2002e | 2003f |
| |thousand tonnes..... | | | | |
| Alberta | 1.6 | 2.4 | 3.4 | 3.8 | 4.2 |
| Manitoba | 1.7 | 9.6 | 20.0 | 22.4 | 24.6 |
| Ontario | 7.7 | 7.7 | 6.9 | 7.0 | 7.2 |
| Quebec | <u>5.0</u> | <u>8.5</u> | <u>7.3</u> | <u>7.5</u> | <u>7.7</u> |
| Total | 18.0 | 31.5 | 37.8 | 41.6 | 45.8 |

e: estimate, AAFC, October 2002
f: forecast, AAFC, October 2002
Source: Statistics Canada

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524**

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| | | As of Monday November 4, 2002 | | | | | | | | | | | | | | | |
|--------------------|------------------|-------------------------------|-----------|------------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
| Vancouver B.C. | This week | FOB | 228.16 | N/A | 218.16 | 198.50 | | 333.50 | (7) 236.00 | 195.00 | 320.00 | (4) 900.00 | 520.00 | | | | 430.00 |
| | Week ago | | 221.16 | N/A | 216.16 | 198.25 | | 331.00 | (7) 230.00 | 190.00 | 325.00 | (4) 900.00 | 510.00 | | | | 430.00 |
| Calgary Alta | This week | FOB | 205.00 | N/A | 195.00 | 193.00 | | 324.00 | N/A | | 280.00 | (4) 950.00 | 555.00 | | | | 430.00 |
| | Week ago | | 198.00 | N/A | 193.00 | 195.00 | | 322.50 | N/A | | 285.00 | (4) 950.00 | 545.00 | | | | 430.00 |
| Saskatoon Sask. | This week | FOB | 180.00 | 228.00 | 176.50 | 187.00 | | 317.50 | 225.00 | | 280.00 | (4) N/A | 555.00 | | 196.67 | | 460.00 |
| | Week ago | | 180.00 | 228.00 | 176.50 | 186.00 | | 316.00 | 215.00 | | 285.00 | (4) N/A | 545.00 | | 196.67 | | 460.00 |
| Melfort Sask. | This week | FOB | N/A | N/A | N/A | | | | | | | | | | | | |
| | Week ago | | N/A | N/A | N/A | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | 177.50 | (9) 214.00 | 185.00 | 171.00 | | 287.50 | 215.00 | | 305.00 | (4) 912.50 | 450.00 | | | | 450.00 |
| | Week ago | | 178.00 | (9) 220.00 | 187.00 | 172.00 | | 300.50 | 205.00 | | 305.00 | (4) 912.50 | 450.00 | | | | 450.00 |
| Thunder Bay Ont. | This week | In-store | (8)201.00 | N/A | (8) 194.70 | | | | | | | | | | | | |
| | Week ago | | (8)196.00 | N/A | (8) 190.60 | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | 165.87 | | | | | | | | | | | |
| | Week ago | Vessel | | | | 167.37 | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | 224.00 | 320.00 | N/A | | | | | | | | | | | | |
| | Week ago | | 218.00 | 325.00 | N/A | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | 168.30 | | | | | | | | | | | |
| | Week ago | | | | | 167.81 | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | FOB | 305.78 | N/A | | | | | | | | |
| | Week ago | | | | | | | 304.12 | N/A | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 165.00 | | | | | | | | | | | |
| | Week ago | | | | | 165.00 | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | FOB | 323.97 | 237.47 | 156.67 | 292.00 | (5) 850.00 | 397.00 | 475.00 | 161.00 | 268.00 | 370.00 |
| | Week ago | | | | | | | 327.27 | 236.89 | 157.67 | 298.00 | (5) 850.00 | 397.00 | 485.00 | 167.00 | 265.00 | 370.00 |
| Trois-Riv. Que. | This week | In-store | 238.00 | | 250.50 | 181.68 | | | | | | | | | | | |
| | Week ago | | 233.00 | | 246.30 | 177.25 | | | | | | | | | | | |
| St-Jean Que. | This week | FOB | 194.33 | 213.75 | 176.88 | (2) 170.66 | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | 196.00 | 215.00 | 173.58 | (2) 170.17 | | | | | | | | | | | |
| Quebec Que. | This week | In-store | 217.00 | | 233.00 | 183.39 | FOB | 327.65 | | | | | | | | | |
| | Week ago | | 223.00 | | 228.80 | 183.82 | | 328.38 | | | | | | | | | |
| Truro N.S. | This week | Track | 256.40 | N/A | 258.27 | 207.87 | FOB | 346.68 | 256.12 | | 328.50 | | 430.00 | | | | 370.00 |
| | Week ago | | 249.75 | N/A | 254.22 | 208.24 | | 356.43 | 259.65 | | 334.00 | | 440.00 | | | | 370.00 |
| Truro N.S. | This week | Water | 261.70 | N/A | N/A | 206.50 | | | | | | | | | | | |
| | Week ago | & Truck | 257.30 | N/A | N/A | N/A | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | 252.70 | N/A | N/A | 197.50 | FOB | | | 277.50 | | (6) 950.00 | | | | | |
| | Week ago | | 248.30 | N/A | N/A | N/A | | | | 277.50 | | (6) 950.00 | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard Tel: (514) 283-3815 (575) Fax: (514) 283-2754 N/A = not available US \$1.00/metric ton US \$1.5550 as of November 04, 2002
Thunder Bay prices are based on the Winnipeg Commodities Exchange market close
Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are: Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified.
 Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWR5 (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Futures WCE (9) 3CW

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday November 4, 2002

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|----------------------|--------------------------|--------|-----------|----------|------------|----------|
| From: Thunder Bay 2 | In-Store | WHEAT | 201.00 | 196.00 | 187.50 | 161.50 |
| CBOT | | OATS | N/A | N/A | N/A | 247.00 |
| LETHBRIDGE | | BARLEY | 194.70 | 190.60 | 190.00 | 158.30 |
| To: Bayports, Ont. | In-store | WHEAT | 224.61 | 219.61 | 1. 211.11 | 184.60 |
| | | OATS | N/A | N/A | 1. N/A | N/A |
| | | BARLEY | 222.09 | 217.99 | 1. 217.39 | 185.45 |
| Montreal, Que. | In-store | WHEAT | 229.03 | 224.03 | 1. 215.53 | 189.35 |
| | | OATS | N/A | N/A | 1. N/A | N/A |
| | | BARLEY | 227.01 | 222.91 | 1. 222.31 | 190.57 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 251.25 | 246.25 | 237.75 | 211.82 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 251.20 | 247.10 | 246.50 | 216.93 |
| Truro, N.S. | Truck via Halifax | WHEAT | 245.22 | 240.22 | 231.72 | 209.32 |
| | | OATS | N/A | N/A | N/A | N/A |
| | | BARLEY | 248.70 | 244.60 | 244.00 | 212.05 |
| Halifax, N.S. | In-store | WHEAT | 236.28 | 231.28 | 1. 222.78 | 196.65 |
| | | OATS | N/A | N/A | 1.0 N/A | N/A |
| | | BARLEY | 235.00 | 230.90 | 1.0 230.30 | 198.37 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 299.63 | 294.63 | 286.13 | 256.43 |
| | | OATS | N/A | N/A | N/A | 353.20 |
| | | BARLEY | N/A | N/A | N/A | 265.44 |
| From: Melfort, Sask. | FOB | WHEAT | N/A | N/A | N/A | 151.50 |
| | | OATS | N/A | N/A | N/A | 231.84 |
| | | BARLEY | N/A | N/A | N/A | 151.30 |
| To: Bayports, Ont. | Track | WHEAT | N/A | N/A | N/A | 200.65 |
| | | OATS | N/A | N/A | N/A | 288.73 |
| | | BARLEY | N/A | N/A | N/A | 201.00 |
| Montreal, Que. | Track | WHEAT | N/A | N/A | N/A | 201.41 |
| | | OATS | N/A | N/A | N/A | 292.45 |
| | | BARLEY | N/A | N/A | N/A | 201.82 |
| Moncton, N.B. | Track | WHEAT | N/A | N/A | N/A | 229.69 |
| | | OATS | N/A | N/A | N/A | 316.73 |
| | | BARLEY | N/A | N/A | N/A | N/A |
| Truro, N.S. | Track | WHEAT | N/A | N/A | N/A | 227.88 |
| | | OATS | N/A | N/A | N/A | 317.74 |
| | | BARLEY | N/A | N/A | N/A | N/A |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | N/A | N/A | N/A | 274.94 |
| | | OATS | N/A | N/A | N/A | 367.02 |
| | | BARLEY | N/A | N/A | N/A | N/A |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|------------|----------|
| CORN | | | | | | |
| From: US Lake Ports | On Board Vessel | | 165.87 | 167.37 | 171.81 | 129.91 |
| To: Montreal, Que. (US Corn) | In-store | | 184.91 | 186.41 | 1.0 190.85 | 148.81 |
| From: Chicago (Mi) | Track | | 156.67 | 158.73 | 165.53 | 124.89 |
| To: Montreal, Que. (US Corn) | Track | | 185.53 | 187.59 | 194.39 | 153.92 |
| From: Chatham | Track | | 168.30 | 167.81 | 168.40 | 146.15 |
| To: Montreal, Que. | Track | | 192.10 | 191.61 | 192.20 | 169.53 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | |
|----------------------|--------------------------|--|--------|--------|--------|--------|
| From: Hamilton, Ont. | | | 305.78 | 304.12 | 309.86 | 326.72 |
| To: Montreal, Que. | Track | | 330.11 | 328.45 | 334.19 | 351.14 |
| Moncton, N.B. | Track | | 348.86 | 347.20 | 352.94 | 374.35 |
| Truro, N.S. | Track | | 352.08 | 350.42 | 356.16 | 373.18 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 400.71 | 399.05 | 404.79 | 421.98 |

1. Prices include ONE month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Bi-weekly Bulletin

November 29, 2002 Volume 15 Number 21

CHINA: WHEAT

Wheat is the second most important crop in China after rice. Over the medium-term, China's accession to the World Trade Organization (WTO) is expected to create opportunities for Canada to increase its wheat exports to China. For 2002-2003, China is expected to rely heavily on carry-over stocks to address the shortfall created by consumption exceeding domestic production, and wheat imports are forecast at only 1.0 million tonnes (Mt). This issue of the *Bi-weekly Bulletin* examines the structure of China's wheat sector in the context of the current situation and the outlook for Canadian wheat exports to China for 2002-2003 and over the medium-term.

AGRICULTURE POLICY

China has been undergoing a transformation from traditional agriculture to modernized agriculture. As Chinese agriculture moves from a centrally planned to a more market oriented system, new constraints to efficiency are developing. These constraints are an inadequate legal and banking systems and the absence of an efficient system for timely market supply and demand information. In addition, there are often considerable harvest losses due to poor storage, handling and transport facilities.

The following objectives have been identified by China as the keys to achieving sustainable wheat production: 1) improved wheat yields and quality; 2) reduced use of irrigation water and fertilizer; 3) protection of the environment by reducing pesticide use; and 4) increased wheat production efficiency and profitability.

The Chinese government has actively protected domestic industries by banning the sale of any agri-food company which the government believed was threatened with takeover by foreign companies.

However, with accession to the WTO in December of 2001, China has made commitments to open its markets to agricultural imports. Its commitments are part of a broader transition to a market economy. Domestic policy reform will be

important to increase access to markets in China. China has committed to replace previous quantitative import restrictions with tariff rate quotas for bulk commodities, to reduce tariff rates and to limit domestic agricultural support.

The central purchasing agency, China National Cereals, Oils and Foodstuffs Import Export Corporation (COFCO), continues to play an important role in the importation of wheat, rice, corn, and edible oils.

PRODUCTION

Wheat can be classified into winter wheat and spring wheat. Winter wheat being the main type grown in China. In the last five years, seeded area for winter and spring wheat has been approximately 90% and 10% respectively of the total wheat acreage.

The main winter wheat producing area in China is the province of Henan, in the east-central area of China which accounts for about 26% of total wheat in both area and production.

Chinese harvested wheat area has fallen each year since 1997-1998 and fell to 24.5 million hectares in 2002-2003, the lowest since 1966-1967. Several factors are responsible for this downward shift in harvested area. Since 1999-2000, the Chinese government has substantially reduced its price support to protect spring wheat acres in northwest China and low quality wheat south of the Yantze River. The government decided to purchase grain according to quality, therefore high quality grains received higher payments than lower quality grains. As a result, alternative crops such as rapeseed, vegetables, fruits, and cotton have proven more attractive to Chinese producers. As well, in the wheat growing regions of northern China, ample

CHINA: WHEAT SUPPLY AND DISPOSITION

| July-June crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002 | 2002 -2003f |
|------------------------|---------------------------|---------------|---------------|---------------|----------------|
| | million tonnes..... | | | | |
| Carry-in Stocks | 96.2 | 97.9 | 102.9 | 91.9 | 76.6 |
| Production | 109.7 | 113.9 | 99.7 | 93.9 | 92.0 |
| Imports | 0.8 | 1.0 | 0.2 | 1.1 | 1.0 |
| Total Supply | 206.7 | 212.8 | 202.8 | 186.9 | 169.6 |
| Domestic Use | 108.3 | 109.4 | 110.3 | 108.8 | 106.1 |
| Exports | 0.5 | 0.5 | 0.6 | 1.5 | 1.5 |
| Total Use | 108.8 | 109.9 | 110.9 | 110.3 | 107.6 |
| Carry-out Stocks | 97.9 | 102.9 | 91.9 | 76.6 | 62.0 |

f: forecast, USDA, November 2002

Source: USDA

water resources have become scarce, increasing costs for water transfer projects.

For 2002-2003, Chinese wheat production is estimated at 92 Mt, down slightly from 2001-2002, and the lowest since 1989-1990. This is largely due to early season drought and heavy late rains which have damaged the wheat crop more than originally expected. Irrigation water has become more scarce and has added to the reduction in expected yield. About 70% of Chinese wheat receives some irrigation. In recent years, as both urban and agricultural demand for water has increased, the aquifer in the North China Plain has been drawn down considerably and demand for river and reservoir water is near its limit. As a result, irrigation water has become costly. Decreases in seeded area and consistent irrigation shortages have reduced annual wheat production more than 15 Mt from the highs of the mid-1990s. Of this, about 86 Mt is estimated to be winter wheat with the remaining 6 Mt being spring wheat.

RESEARCH AND VARIETIES

The shift to a more market oriented production system has affected the quality of wheat seeded. With farm land and now water, scarce in major wheat growing areas, producers are finding it more profitable, with government's encouragement, to switch to high quality wheat varieties which can give better returns on crop inputs. The high quality wheat refers to new low protein and high protein wheat varieties. These are intended to allow Chinese producers to

diversify away from the medium protein varieties that have dominated domestic production for the past 40 years, when maximizing yields was the primary concern. These new varieties are expected to provide millers with the wheat necessary to produce western style cakes, cookies and breads which have increased in popularity in recent years, and also improve the quality of traditional noodles, dumplings and steamed breads.

Since mostly medium gluten varieties are used, there is a lack of high gluten and low gluten wheat. Compared to United States (US) or Canadian wheat, protein contents of Chinese wheat, reaching a high of 16-17%, are not low at all. But, with lower dough gluten value and shorter stability time, protein quality and baking quality are poor. This is largely due to the genetic makeup of the varieties. The problem with low gluten wheat in China is that the protein content is not low enough. There is a lack of varieties with protein content below 10%, and those with low protein often lack satisfactory extensibility.

The Chinese have been breeding high quality wheat varieties with high gluten varieties in recent years to deal with this situation. Presently, there are more than 120 varieties of high quality wheat in China, and there are more than 10 varieties which perform at the levels exhibited by foreign high gluten varieties. Despite this, production levels are too low, seeding areas too scattered, agronomy practices too varied, and storage too poor. This has led to problems with inconsistent quality,

insufficient quantity and unstable properties.

High quality wheat production is expected to account for more than a quarter of the 2002-2003 crop, compared to near zero production just three years ago. However, consistency of quality supplies is a problem and as a result, Chinese millers have contracted with individual producers to ensure supply. High quality wheat largely consists of winter wheat varieties with spring wheat being the lowest quality. Millers have reported that although new varieties of high quality winter wheat can reduce their need for imports of wheat for cakes, cookies, and bread, they cannot completely replace it. Domestic millers are required to blend imported wheat to reach the desired quality levels.

CONSUMPTION

About 70% to 80% of wheat consumption is in the form of human food, followed by feed or seed use. As is the case with most developing countries, per capita consumption of staple food falls with an increase in income, and China is no exception. Wheat based foods are the staple diet for most of northern China and consumption has fallen over the past decade. It was previously assumed that the drop in wheat consumption in northern China was being offset by increases in demand throughout the rest of China for western type wheat products. As a result, wheat consumption had been thought to increase in line with the rate of population growth. However, high domestic corn prices in the last two years resulted in increases in feeding of wheat. At the same time, wheat supplies have fallen by about 25% since

1999-2000 due to reduced seeded area and poor weather conditions, while Chinese imports have remained relatively low. Chinese per capita wheat consumption has in fact been shifting downward in the past 9 years from a high of 85 kilograms (kg) in 1993 to 80 kg in 2001. There are still a large number of low income rural Chinese in northern China who rely on the traditional wheat based diet. However, the rural population is gradually moving to urban centres and becoming wealthier. In northern Chinese cities, people are eating more meat, seafood, and vegetables, and traditional

CHINA: 2002-2003 WHEAT PRODUCTION BY PROVINCE

| | million tonnes |
|----------------|----------------|
| Henan | 24.0 |
| Shandong | 15.0 |
| Hebei | 11.0 |
| Anhui | 6.6 |
| Jiangsu | 6.2 |
| Sichuan | 4.6 |
| Shaanxi | 3.9 |
| Xinjiang | 3.8 |
| Gansu | 3.0 |
| Shanxi | 2.0 |
| Hubei | 1.7 |
| Inner Mongolia | 1.3 |
| Heilongjiang | 0.9 |
| Other | 8.0 |
| Total | 92.0 |

Source: National Grain and Oils Information Centre (NGOIC)



CANADA: WHEAT EXPORTS TO CHINA

| August-July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002 | 2002 -2003f |
|---------------------------|---------------|---------------|---------------|---------------|----------------|
|thousand tonnes..... | | | | | |
| Wheat | 219.5 | 660.6 | 16.5 | 767.1 | 100 |
| Wheat Flour | 1.2 | 0.6 | 1.3 | 1.2 | 1.2 |

f: forecast, AAFC, November 2002

Source: Canadian Grain Commission

wheat foods are becoming less popular in comparison to rice. For 2002-2003, Chinese domestic use is forecast at 106 Mt, down slightly from 2001-2002 and the lowest since 1994-1995.

TRADE

Chinese wheat trade relies heavily on two factors, wheat supplies and the introduction of high quality wheat varieties. Many experts feel that despite the fall in wheat production and increased feed use in the last three years, wheat stocks remain more than adequate for 2002-2003. However, despite quality improvements, Chinese domestic wheat is not of the quality of Canadian and US Hard Red Spring wheat varieties and low protein classes such as Soft White Winter wheat are needed for a large proportion of the Chinese millers' flour requirements.

China was obligated to open an 8.468 Mt tariff rate quota (TRQ) for wheat in the 2002 calendar year as a result of China's entry into the WTO in December of 2001, with the quota rising to 9.05 Mt in 2003 and to 9.64 Mt in 2004. Under this agreement the wheat within this TRQ would have a 1% tariff, with imports beyond this quota carrying a duty of 71%, which was announced March 5, 2002.

Imports of wheat have not increased greatly after the allocation of the wheat TRQ in March. Domestic wheat has a value added

tax advantage over imported wheat. The effective value added tax on domestic wheat is 3% while it is 13% for imports. In addition to this, large stocks of domestic wheat and improved domestic quality will limit imports for 2002-2003. For

2002-2003, wheat imports are forecast at 1 Mt, down from 1.1 Mt in 2001-2002, but similar to the 5-year average. Canadian wheat exports to China are expected to decrease from 0.8 Mt in 2001-2002 to only 0.1 Mt. This is largely due to short supplies of No. 1 or No. 2 Canada Western Red Spring wheat (CWRS) in Canada in 2002-2003 as a result of the severe drought. Canadian wheat exports to China consist largely of No. 1 and No. 2 CWRS with protein levels 14% and up. The other Canadian class of wheat exported to China is Canada Prairie Spring Red Wheat. In 2001-2002, the other major suppliers of wheat to China were the US at 0.2 Mt and Australia at 0.1 Mt.

Chinese wheat exports are largely of feed quality, mainly to South Korea. Smaller amounts are sold to Hong Kong, Indonesia, and the Philippines. Wheat is priced very low to compete with the large supplies in India and Ukraine. Chinese wheat exports have not only created more competition for these other wheat suppliers but also for US corn sales, as feed wheat is substituted for corn in Korean feed rations. Chinese feed wheat exports compete directly with US soft red winter and Canadian feed wheat in the Philippines. China has also exported small amounts of milling wheat, the first since 1949, to Southeast Asia. For 2002-2003, Chinese wheat exports are forecast at 1.5 Mt, unchanged from last year, but above

the 5-year average of 0.9 Mt. Since 2000-2001, China has become a net exporter of wheat.

STOCKS

With smaller wheat production in each of the last 3 years, supplies are forecast to fall from a record 213 Mt in 1999-2000 to 170 Mt in 2002-2003. Total domestic use is forecast near the 10-year average at 106 Mt, however, it is expected to exceed production for the third consecutive year. As a result, carry-out stocks are forecast by the United States Department of Agriculture (USDA) to decrease to 62 Mt, down 20% from 2001-2002 and the lowest since 1992-1993. The stocks-to-use ratio is forecast at 58%, down from 70% in 2001-2002.

FLOUR

Since the early 1980s, China's flour industry has been developing rapidly with a current total capacity over 300 Mt. China currently has more than 40,000 flour processing plants: 9,800 with a capacity of over 50 tonnes per day (t/d) and 80 with a capacity of over 400 t/d. Most of the flour mills are located in the northern provinces of Shandong, Henan, and Hebei. In the south, mills can be found in the provinces of Guangdong, Anhui, and Jiangsu. For 2002-2003, Chinese flour consumption is forecast at 90 Mt, similar to the 5-year average. There is an excess of flour milling capacity and as a result, domestic flour prices are low and because of strong competitiveness, most flour mills are not highly profitable. For 2002-2003, Canadian exports of flour to China are forecast at 1,200 t, unchanged from last year. Chinese import tariffs for wheat flour are included in the wheat TRQ. However, the

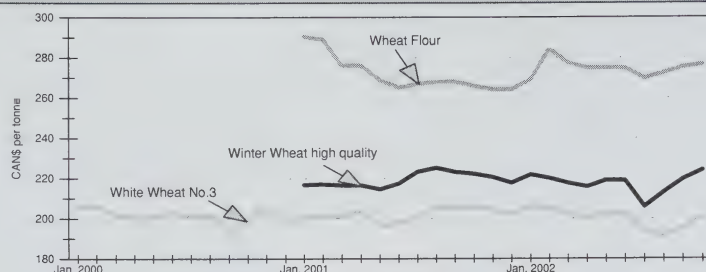
CANADIAN HARD WHITE SPRING WHEAT

The development of Hard White Spring (HWS) wheat varieties Snowbird and Kanata at the Cereal Research Center (CRC) of Agriculture and Agri-Food Canada (AAFC) in Winnipeg, Manitoba provides a new diversification opportunity for significant production of white bread wheat in western Canada. Snowbird is scheduled to be grown on a commercial basis in 2003-2004 and Kanata in 2004-2005. About 150,000 acres of Snowbird are expected to be seeded in 2002-2003.

The attractions of white wheat are linked to its light colored hull. It allows millers to increase the flour extraction rate over red wheat, which translates into increased revenue for the miller. Another advantage is the ability to provide white wheat products with a lighter color and a milder taste. While it will be used in bread, the prime market is in Asian noodles. China may be a potential export market for HWS wheat varieties.

A new HWS wheat breeding program began in July of 2002 at the AAFC Lethbridge Research Center to diversify cropping options for producers and open new markets for Canada's wheat industry. The program is collaborating closely with established breeding programs at the CRC in Winnipeg, and the Semi-Arid Prairie Agricultural Research Station in Swift Current, Saskatchewan.

CHINA: DOMESTIC WHEAT PRICES



Source: National Grain and Oils Information Centre (NGOIC)

in quota duty is 6% and the over quota duty is 71%.

To achieve better profitability, Chinese flour millers are hoping to increase the proportion of high quality special use flours such as bread, cake, and biscuit flour, as well as home use flour (steamed bun, dumpling and noodle flour). Currently, high quality flour accounts for about 10% of demand, but is forecast to increase to over 50% with more varieties of flour available.

SPECIALTY MARKETS

Foreign manufactured breakfast cereals are beginning to penetrate the Chinese marketplace and while the present market is small, there is the potential for much larger demand. Chinese hotels that cater to foreign guests are the current buyers of breakfast cereals. Nearly every hotel has a restaurant that offers buffet breakfasts which include cereal. The growth, however, appears to be in the supermarkets, where sales to local customers are beginning to increase.

The Chinese prefer either sweet tasting cereals or types without sugar so that fruit and spices can be added as desired. The two largest constraints on retail sales are consumer education and price. The marketing of breakfast cereals must include educating the Chinese in the manner in which North American style breakfast cereals are normally consumed. Chinese importers and distributors also believe that breakfast cereals are currently priced too high for most consumers. Studies have shown that the Chinese enjoy cereals as a snack food, eaten straight out of the box,

which is where the most market potential may be. The reason is that the Chinese still prefer their own cuisine for traditional meals and are more willing to try other products for snacks. Chinese import tariffs for breakfast cereals range from 25 to 30%. Since cereals are processed foods, they are also subject to an additional 17% value added tax. With China's accession to the WTO, import tariffs are expected to fall over the next several years, which may allow for a retail price reduction and increased imports of Canadian breakfast cereals.

OUTLOOK

For 2002-2003, Chinese wheat imports are unlikely to exceed the current USDA forecast of 1.0 Mt. Wheat supplies in China appear to be sufficient because domestic wheat prices remain relatively low. However, Canadian wheat exports to China are expected to decrease due to the drought in western Canada. Demand for low and high protein wheat in China still cannot be met by domestic production, but the Chinese government is, with some success, encouraging production of high quality wheat which may reduce potential wheat imports. With the state trading companies controlling 90% of the wheat TRQ, it seems likely that the quota will remain largely unfilled for 2002-2003. However, the Chinese government is pursuing downsizing strategies, underlying its commitment to market reform. At the current pace in which wheat stocks are being diminished it is possible that Chinese wheat imports may increase as early as 2003-2004, despite an expected increase in Chinese wheat production as a result of high world wheat

prices. Canadian wheat exports may also increase as early as 2003-2004, as Canadian wheat production recovers from its drought.

In the medium-term, China will continue to be a wheat deficient nation. Wheat production is not expected to surpass consumption in the next three to five years. With world wheat prices expected to fall as many of the world's leading wheat exporters recover from drought conditions, total Chinese wheat imports in the 3.0 to 4.0 Mt range seems reasonable. With this anticipated increase in wheat imports, Canada is expected to be well positioned to continue to service this expanding market.

For more information, please contact:

Bobby Morgan,
Market Analyst
Phone: (204) 984-0680
E-mail: morganb@agr.gc.ca

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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we wish to gratefully acknowledge input from the following:

Canadian Wheat Board, Research Branch (AAFC), Market and Industry Services Branch (AAFC)

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | As of Monday November 18, 2002 | | | | | | | | | |
|---|------------------|-------------|-----------|------------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|---|-------------|-----------|--------------|--------------|---|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | | | | | |
| Vancouver | This week | FOB | 233.16 | N/A | 218.16 | 200.00 | | 332.00 | (7) 234.00 | 195.00 | 315.00 | (4) 900.00 | 530.00 | | | | 430.00 | | | | | |
| B.C. | Week ago | | 228.16 | N/A | 218.16 | 196.00 | | 323.50 | (7) 243.50 | 195.00 | 315.00 | (4) 900.00 | 530.00 | | | | 430.00 | | | | | |
| Calgary | This week | FOB | 210.00 | N/A | 195.00 | 190.00 | | 319.50 | N/A | | 275.00 | (4) 950.00 | 565.00 | | | | 430.00 | | | | | |
| Alta | Week ago | | 205.00 | N/A | 195.00 | 184.00 | | 316.00 | N/A | | 275.00 | (4) 950.00 | 565.00 | | | | 430.00 | | | | | |
| Saskatoon | This week | FOB | 187.50 | 233.00 | 180.00 | 185.00 | | 313.50 | 230.00 | | 275.00 | (4) N/A | 565.00 | | 198.33 | | 460.00 | | | | | |
| Sask. | Week ago | | 187.50 | 233.00 | 180.00 | 185.00 | | 309.50 | 225.00 | | 275.00 | (4) N/A | 565.00 | | 198.33 | | 460.00 | | | | | |
| Melfort Sask. | This week | FOB | N/A | N/A | N/A | | | | | | | | | | | | | | | | | |
| | Week ago | | N/A | N/A | N/A | | | | | | | | | | | | | | | | | |
| Winnipeg | This week | FOB | 180.00 | (9) 220.00 | 184.50 | 168.00 | | 298.00 | 220.00 | | 295.00 | (4) 912.50 | 465.00 | | | | 450.00 | | | | | |
| Man. | Week ago | | 179.00 | (9) 220.00 | 184.50 | 161.00 | | 293.00 | 215.00 | | 305.00 | (4) 912.50 | 465.00 | | | | 450.00 | | | | | |
| Thunder Bay | This week | In-store | (8)194.50 | N/A | (8) 187.00 | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | (8)196.00 | N/A | (8) 190.00 | | | | | | | | | | | | | | | | | |
| Lake Ports | This week | On Board | | | | 165.59 | | | | | | | | | | | | | | | | |
| USA | Week ago | Vessel | | | | 159.97 | | | | | | | | | | | | | | | | |
| Bay Ports | This week | In-store | 218.50 | 320.00 | N/A | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | 220.00 | 320.00 | N/A | | | | | | | | | | | | | | | | | |
| Chatham | This week | Track | | | | 166.13 | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | 164.85 | | | | | | | | | | | | | | | | |
| Toronto | This week | N/A | | | | | FOB | | | | 270.00 | (5) N/A | 485.00 | 465.00 | 156.00 | 285.00 | 370.00 | | | | | |
| Ont. | Week ago | | | | | | | | | | 281.00 | (5) N/A | 475.00 | 475.00 | 159.00 | 285.00 | 370.00 | | | | | |
| Hamilton | This week | N/A | | | | | FOB | 298.06 | N/A | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | 298.06 | N/A | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 165.00 | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 165.00 | | | | | | | | | | | | | | | | |
| London | This week | FOB | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | |
| Port Colborne | This week | FOB | | | | | | | | 120.00 | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | 120.00 | | | | | | | | | | | | |
| Cardinal | This week | FOB | | | | | | | | | | | | | | | | | | | | |
| Ont. | Week ago | | | | | | | | | | | | | | | | | | | | | |
| Montreal | This week | | | | | | FOB | 317.79 | 244.60 | 145.00 | 270.00 | (5) 850.00 | 408.00 | 465.00 | 158.00 | 268.00 | 370.00 | | | | | |
| Que. | Week ago | | | | | | | 319.57 | 230.81 | 148.33 | 281.00 | (5) 850.00 | 419.00 | 475.00 | 161.00 | 268.00 | 370.00 | | | | | |
| Trois-Riv. Que. | This week | In-store | 231.50 | | N/A | 178.63 | | | | | | | | | | | | | | | | |
| Que. | Week ago | | 233.00 | | 239.90 | 177.35 | | | | | | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | 193.83 | 214.25 | 163.15 | (2) 169.68 | | | | | | | | | | | | | | | | |
| St-Hyacinthe, Que. | Week ago | | 192.67 | 214.25 | 171.98 | (2) 169.97 | | | | | | | | | | | | | | | | |
| Quebec | This week | In-store | 222.25 | | 225.10 | 182.84 | FOB | 319.64 | | | | | | | | | | | | | | |
| Que. | Week ago | | 223.00 | | 222.40 | 181.28 | | 322.87 | | | | | | | | | | | | | | |
| Truro | This week | Track | 253.22 | N/A | 250.57 | 204.74 | FOB | 344.85 | 250.28 | | | | | | | | 370.00 | | | | | |
| N.S. | Week ago | | 255.25 | N/A | 252.97 | 204.66 | | 346.12 | 256.12 | | | | | | | | 370.00 | | | | | |
| Truro | This week | Water | 258.00 | N/A | N/A | 206.30 | | | | | | | | | | | | | | | | |
| N.S. | Week ago | & Truck | 261.80 | N/A | N/A | 207.30 | | | | | | | | | | | | | | | | |
| Halifax | This week | In-store | 249.00 | N/A | N/A | 197.30 | FOB | | | | | | | | | | | | | | | |
| N.S. | Week ago | | 252.80 | N/A | N/A | 198.30 | | | | | | | | | | | | | | | | |
| Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard | | | | | | | | | | | | | Tel: (514) 283-3815 (575) Fax: (514) 283-2754 | | | | | N/A = not available US \$1,000=Cdn \$1,500,2, as of November 18, 2002 | | | | |
| Thunder Bay prices are based on the Winnipeg Commodities Exchange market close | | | | | | | | | | | | | | | | | | | | | | |
| Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat , No.1 Feed Oats , No.1 or 2 Canada Western or Eastern Barley, No.2 Canada Yellow Corn , No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease. | | | | | | | | | | | | | | | | | | | | | | |
| (1) Wheat 3C WRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Futures WCE (9) 3C W | | | | | | | | | | | | | | | | | | | | | | |

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday November 18, 2002

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-----------------------------|--------------------------|--------------|---------------|---------------|-----|---------------|---------------|
| From: Thunder Bay 2 | In-Store | WHEAT | 194.50 | 196.00 | | 194.40 | 166.90 |
| CBOT | | OATS | N/A | N/A | | N/A | 257.34 |
| LETHBRIDGE | | BARLEY | 187.00 | 190.00 | | 189.70 | 160.00 |
| To: Bayports, Ont. | In-store | WHEAT | 218.11 | 219.61 | 1. | 218.01 | 190.00 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 214.39 | 217.39 | 1. | 217.09 | 187.15 |
| Montreal, Que. | In-store | WHEAT | 222.53 | 224.03 | 1. | 222.43 | 194.75 |
| | | OATS | N/A | N/A | 1. | N/A | N/A |
| | | BARLEY | 219.31 | 222.31 | 1. | 222.01 | 192.27 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 244.75 | 246.25 | | 244.65 | 217.22 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 243.50 | 246.50 | | 246.20 | 218.63 |
| Truro, N.S. | Truck via Halifax | WHEAT | 238.72 | 240.22 | | 238.62 | 214.72 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 241.00 | 244.00 | | 243.70 | 213.75 |
| Halifax, N.S. | In-store | WHEAT | 229.78 | 231.28 | 1. | 229.68 | 202.05 |
| | | OATS | N/A | N/A | 1.0 | N/A | N/A |
| | | BARLEY | 227.30 | 230.30 | 1.0 | 230.00 | 200.07 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 293.13 | 294.63 | | 293.03 | 261.83 |
| | | OATS | N/A | N/A | | N/A | 363.54 |
| | | BARLEY | N/A | N/A | | N/A | 267.14 |
| From: Melfort, Sask. | FOB | WHEAT | N/A | N/A | | N/A | 156.90 |
| | | OATS | N/A | N/A | | N/A | 239.10 |
| | | BARLEY | N/A | N/A | | N/A | 152.00 |
| To: Bayports, Ont. | Track | WHEAT | N/A | N/A | | N/A | 206.05 |
| | | OATS | N/A | N/A | | N/A | 295.99 |
| | | BARLEY | N/A | N/A | | N/A | 201.70 |
| Montreal, Que. | Track | WHEAT | N/A | N/A | | N/A | 206.81 |
| | | OATS | N/A | N/A | | N/A | 299.71 |
| | | BARLEY | N/A | N/A | | N/A | 202.52 |
| Moncton, N.B. | Track | WHEAT | N/A | N/A | | N/A | 235.09 |
| | | OATS | N/A | N/A | | N/A | 323.99 |
| | | BARLEY | N/A | N/A | | N/A | N/A |
| Truro, N.S. | Track | WHEAT | N/A | N/A | | N/A | 233.28 |
| | | OATS | N/A | N/A | | N/A | 325.00 |
| | | BARLEY | N/A | N/A | | N/A | N/A |
| Stephenville, Nfld | Track / Truck via Sydney | WHEAT | N/A | N/A | | N/A | 280.34 |
| | | OATS | N/A | N/A | | N/A | 374.28 |
| | | BARLEY | N/A | N/A | | N/A | N/A |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|------------------------|--|---------------|---------------|-----|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 165.59 | 159.97 | | 168.50 | 130.77 |
| To: Montreal, Que. (US Corn) | In-store | | 184.63 | 179.01 | 1.0 | 187.54 | 149.67 |
| From: Chicago (Mi) | Track | | 157.50 | 151.97 | | 161.69 | 129.52 |
| To: Montreal, Que. (US Corn) | Track | | 186.36 | 180.83 | | 190.55 | 158.55 |
| From: Chatham | Track | | 166.13 | 164.85 | | 168.20 | 146.15 |
| To: Montreal, Que. | Track | | 189.93 | 188.65 | | 192.00 | 169.53 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|--------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 298.06 | 298.06 | | 308.31 | 329.15 |
| To: Montreal, Que. | Track | | 322.39 | 322.39 | | 332.64 | 353.57 |
| Moncton, N.B. | Track | | 341.14 | 341.14 | | 351.39 | 376.78 |
| Truro, N.S. | Track | | 344.36 | 344.36 | | 354.61 | 375.61 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 392.99 | 392.99 | | 403.24 | 424.41 |

1. Prices include ONE month of storage and interest charges

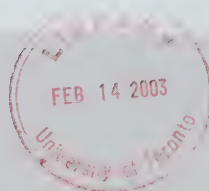
n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Bi-weekly Bulletin

December 13, 2002 Volume 15 Number 22

DRY BEANS: SITUATION AND OUTLOOK

Canadian dry bean production has increased significantly during the past ten years and is expected to increase further during the next ten years as Canadian crop production continues to diversify. Although Canada produces only a small percentage of the world's dry beans, it is the fifth largest exporter of dry beans in the world, accounting for nearly 10% of world exports. The value of Canadian exports has increased from \$96 million (M) in 1996-1997, to \$211M in 2001-2002. This issue of the *Bi-weekly Bulletin* examines the situation for 2002-2003 and outlook for dry beans.

BACKGROUND

At the world level, the term *dry beans* refers to several categories of beans. Dry beans produced in North and South America, Europe and Africa belong mainly to the genus *Phaseolus*, which is of American origin. Most of the beans in the genus *Phaseolus* belong to the species *vulgaris*, widely known as common beans. This species includes the classes of beans produced in Canada, such as white pea, pinto, black, dark and light red

kidney, cranberry, small red, Great Northern, pink, brown and white kidney. The other significant species under the genus *Phaseolus* is *lunatus*, which includes lima beans. In Asia and Australia, most dry beans produced belong to the genus *Vigna*, which is of Asian origin. Common members of *Vigna* include azuki beans (*Vigna angularis*) and mung beans (*Vigna radiata*). In addition, in some countries other crops are included under dry beans. For example, garbanzo beans are included under dry beans in the

United States (US). Garbanzo beans are actually kabuli chick peas and are included with chick peas in Canada and other producing countries.

Dry beans are a leguminous crop and are able to fix their own nitrogen. Therefore inoculation is recommended. However, they do not fix as much nitrogen as dry peas, lentils, and fababeans. Dry beans are very sensitive to frost; therefore seeding should be done when the risk of a killing spring frost is over and soil temperature is greater than 10 degrees Celsius. They require 90-110 frost free days, depending on class and variety. Dry beans adapt to a wide range of soils, but do best in medium textured soils such as light loams, sandy loams and silt loams that offer good water infiltration and good water holding capacity, combined with good internal drainage. Dry beans fit well in crop rotations with crops such as cereal grains and corn.

WORLD

Production

World dry bean production has been variable during the past ten years, but had a slight upward trend. Production, during this period, ranged from a low of 16.3 million tonnes (Mt) in 1997-1998 to a high of 17.3 Mt in 1999-2000.

Dry beans of the genus *Phaseolus* are produced mainly in North and South America, with Brazil, US, Mexico, Canada and Argentina being the main producing

WORLD: DRY BEAN PRODUCTION

| | 1998-1999 | 1999-2000 | 2000-2001 | 2001-2002 | 2002-2003f |
|------------------|--------------------------|-----------|-----------|-----------|------------|
| |million tonnes..... | | | | |
| US* | 1.36 | 1.47 | 1.14 | 0.81 | 1.33 |
| Canada** | 0.19 | 0.29 | 0.27 | 0.29 | 0.41 |
| US and Canada | 1.55 | 1.76 | 1.41 | 1.10 | 1.74 |
| Mexico | 1.26 | 1.06 | 0.88 | 1.06 | 1.05 |
| North America*** | 3.26 | 3.29 | 2.80 | 2.69 | 3.28 |
| Brazil | 2.19 | 2.83 | 3.04 | 2.44 | 3.10 |
| Argentina | 0.30 | 0.34 | 0.30 | 0.27 | 0.25 |
| South America*** | 2.89 | 3.53 | 3.69 | 3.08 | 3.73 |
| Europe | 0.86 | 0.85 | 0.78 | 0.75 | 0.75 |
| Africa | 1.86 | 1.81 | 2.08 | 2.39 | 2.16 |
| India | 2.75 | 2.69 | 2.63 | 2.57 | 2.00 |
| China | 1.58 | 1.68 | 1.66 | 1.55 | 1.50 |
| Myanmar | 1.08 | 1.23 | 1.28 | 1.47 | 1.30 |
| Indonesia | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 |
| Asia*** | 7.59 | 7.78 | 7.72 | 7.75 | 6.93 |
| Australia | 0.05 | 0.05 | 0.04 | 0.04 | 0.04 |
| World | 16.51 | 17.31 | 17.11 | 16.70 | 16.89 |

f: AAFC forecast, except USDA for US and Statistics Canada for Canada - December 2002

Source: FAO, except * USDA (excludes garbanzos) and ** Statistics Canada - December 2002

(***Includes other countries on the continent.)

countries. During the past 10 years, dry bean production in Brazil and Mexico has been variable, with no noticeable trend. However, in Argentina there has been a slight upward trend in production.

US production (excluding garbanzos) has been variable during the past ten years, with no noticeable trend. It ranged from a low of 0.81 Mt in 2001-2002 to a peak of 1.47 Mt in 1999-2000. The top four producing states, in order of importance, are North Dakota, Michigan, Nebraska and Minnesota. They account for about 70% of US production. Other significant producing states are Idaho, Colorado and California. The top four classes of dry beans produced in the US are; pinto, white pea (navy), black, and Great Northern. Other classes produced include dark and light red kidney, blackeye, small red, pink, cranberry, baby limas, large limas, and small white.

Although China is a relatively small producer of genus *Phaseolus* dry beans, such as black, most of its production of this category of beans is exported.

Consumption

Dry beans are used almost entirely for human food. They are an excellent source of protein and are complementary to the proteins contained in wheat, barley, oats, rye, corn, as well as buckwheat. Dry beans are low in fat and cholesterol-free and are a very high source of soluble fibre. Some medical studies have shown that beans help to lower blood cholesterol and may help to control blood sugar in people with diabetes. As a food rich in complex carbohydrates, dry beans are an excellent source of energy. They supply impressive amounts of B-vitamins, calcium, iron, phosphorous, potassium, and zinc. Dry beans are gluten-free and contain very little sodium. The nutritional profile of dry beans makes them a welcome addition to any diet and they play an important role in gluten-free, diabetic, low salt, low calorie, low cholesterol, high iron, and high fibre diets. Dry beans also act as an appetite suppressant. Because they digest slowly and cause a low, sustained increase in blood sugar, researchers have found that beans can delay the reappearance of hunger for several hours, enhancing weight-loss programs. Dry beans are often eaten as a meat substitute because of the high protein content and quality.

About 85% of dry beans are consumed in the countries where they are produced. India, Brazil, Mexico, US, and China are the world's largest consumers of dry beans. However, China and India consume mainly genus *Vigna*

beans, especially mung beans. On a regional basis, per capita consumption is the highest in Latin America at about 15 kilograms (kg), and is predominantly of coloured beans such as pinto, black, red kidney, and cranberry.

Trade

World trade in dry beans has been trending upwards during the 1990s, from 2.0 Mt per year during the early 1990s, to an average of about 2.5 Mt per year during the period 1995-2000. In 2000, the latest year for which data are available, exports were about 2.6 Mt. The top five exporting countries in 2000 were Myanmar, China, US, Argentina, and Canada. They accounted for 82% of world exports. Imports are distributed much more widely than exports. The top 15 importing countries accounted for only 60% of world imports.

In North and South America, Brazil and Mexico are significant net importers of dry beans. Although most of US production is consumed domestically, it is the largest exporter of dry beans in North and South America. About a third of US production is exported, mainly to Latin America and Europe. Most of Canadian and Argentine dry bean production is exported.

CANADA

Production

Canadian dry bean production has been trending upwards since the early 1990s with most of the growth occurring in Manitoba. White pea beans remain the largest class of beans produced, but most of the growth has

WORLD: DRY BEAN EXPORTS

| calendar year | 1996 | 1997 | 1998 | 1999 | 2000 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
|thousand tonnes..... | | | | | |
| Myanmar | 595 | 769 | 622 | 561 | 831 |
| China | 424 | 490 | 404 | 583 | 447 |
| US | 354 | 369 | 496 | 389 | 349 |
| Argentina | 155 | 303 | 304 | 262 | 265 |
| Canada* | 136 | 141 | 163 | 223 | 228 |
| Other | 446 | 454 | 403 | 436 | 505 |
| World | 2,110 | 2,526 | 2,392 | 2,454 | 2,625 |

WORLD: DRY EDIBLE IMPORTS

| calendar year | 1996 | 1997 | 1998 | 1999 | 2000 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
|thousand tonnes..... | | | | | |
| Japan | 128 | 138 | 129 | 141 | 141 |
| UK | 131 | 131 | 124 | 127 | 119 |
| Mexico | 131 | 90 | 202 | 128 | 88 |
| US | 50 | 59 | 51 | 70 | 88 |
| Italy | 80 | 78 | 79 | 81 | 86 |
| Brazil | 82 | 158 | 211 | 93 | 80 |
| Venezuela | 55 | 56 | 65 | 70 | 73 |
| Pakistan | 64 | 42 | 63 | 67 | 58 |
| France | 53 | 60 | 62 | 56 | 53 |
| Spain | 58 | 50 | 54 | 57 | 54 |
| Netherlands | 48 | 75 | 74 | 53 | 51 |
| South Korea | 47 | 38 | 35 | 46 | 50 |
| Philippines | 36 | 33 | 31 | 48 | 50 |
| Colombia | 27 | 46 | 33 | 36 | 44 |
| India | 70 | 115 | 97 | 39 | 43 |
| Other | 768 | 804 | 745 | 743 | 746 |
| World | 1,758 | 1,858 | 1,958 | 1,816 | 1,781 |

The difference between imports and exports is attributed to the timing of delivery and international classification differences.

Source: FAO - December 2002, except * which is Statistics Canada

CANADA: DRY BEANS SUPPLY AND DISPOSITION

| August-July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002 | 2002 -2003f |
|-----------------------------------|---------------|---------------|---------------|---------------|----------------|
| Harvested Area (000 ha) | 96 | 154 | 165 | 172 | 215 |
| Yield (t/ha) | 1.97 | 1.91 | 1.62 | 1.70 | 1.89 |
|thousand tonnes..... | | | | | |
| Carry-in Stocks | 15 | 25 | 40 | 50 | 30 |
| Production | 189 | 294 | 268 | 292 | 407 |
| Imports | 69 | 41 | 40 | 42 | 20 |
| Total Supply | 273 | 360 | 348 | 384 | 457 |
| Exports | 193 | 260 | 227 | 263 | 290 |
| Total Domestic Use | 55 | 60 | 71 | 91 | 107 |
| Total Use | 248 | 320 | 298 | 355 | 397 |
| Carry-out Stocks | 25 | 40 | 50 | 30 | 60 |
| Stocks-to-use ratio (%) | 10% | 13% | 17% | 8% | 15% |
| Average producer price (CAN\$/t)* | 655 | 500 | 465 | 725 | 485-515 |
| Harvested Area (000 ac.) | 237 | 381 | 408 | 425 | 531 |
| Yield (lb/ac.) | 1,757 | 1,703 | 1,449 | 1,518 | 1,686 |
| Production (000 cwt) | 4,167 | 6,482 | 5,908 | 6,437 | 8,973 |

* Average over all classes and grades.

f: AAFC forecast and Statistics Canada, December 2002

Source: Statistics Canada and AAFC

been for other classes, especially pinto, black and Great Northern. Other classes of dry beans produced in Canada are cranberry, dark red kidney, light red kidney, small red and pink. In addition, a small amount of white kidney, brown, azuki, otebo and kintoki, and even smaller amounts of yellow eye, soldier, and Jacob's cattle beans are produced. The Canadian dry bean harvest normally starts in late August and ends by mid-October.

Marketing

Most of the dry beans in Canada are marketed on the open market, however there are two voluntary pooling arrangements. The Government of Canada guarantees the initial payments and marketing costs for both of the pooling agreements under the Price Pooling Program of the *Agricultural Marketing Programs Act* (AMPA).

In Ontario, the Ontario Bean Producers' Marketing Board (OBPMB) administers a voluntary white pea bean pool. The beans are delivered to one of the licensed dealers and OBPMB takes legal possession of the

beans when the growers have received an initial payment. The OBPMB offers beans for sale over the marketing season to their agents who store, clean, and ship the beans to domestic and export markets. Sales revenue for white pea beans are pooled and producers receive an interim and a final payment at the close of the pool account after the storage, processing, selling, and transportation costs are deducted.

The Agricore United - Alberta Bean Division operates a voluntary pool for pinto, pink, Great Northern and small red beans. Producers wishing to participate in the pool, sign a production contract, receive an initial payment on delivery and a final payment after all beans are sold and the cost of storage, processing, marketing and transportation has been deducted. The vast majority of the producers participating in the pool are in Alberta, however there are also some in Saskatchewan.

The remainder of the dry beans produced in Canada are sold on the open market to dealers. Some dry beans are grown under production contracts which guarantee a price for part of the production. The amount grown under production contracts varies from year to year depending on the level of prices offered under the contracts. The remainder of the dry beans are sold at spot prices.

The Canadian Special Crops Association (CSCA) (www.specialcrops.mb.ca) is an organization representing traders, exporters and processors of pulse and special crops, including dry beans. Pulse Canada (www.pulsecanada.com) is a national organization, representing grower organizations and the CSCA. It is involved in policy issues, coordinating research efforts and market development.

The Canadian Grain Commission (CGC) establishes quality standards for dry beans. For information, or to access the Official Grain Grading Guide, please visit the CGC website: www.grainscanada.gc.ca. Lower grade beans can generally be upgraded to No. 1 Canada through cleaning and electronic colour sorting equipment.

Prices

Canadian dry bean prices are

determined on an export basis because Canada exports roughly 80% of its production. Canadian prices generally follow US prices for the same class of beans adjusted by the exchange rate and transportation costs. Substitution of one class of beans with another is limited in the market place, therefore it is common for wide price spreads to exist between different classes of beans. Supply and demand factors affect the prices for each class of beans independently.

World supply and demand by class is not available, but total Canadian and US supply has the largest impact on Canadian dry bean prices. Very high Canadian prices occurred in years when the total Canadian and US seeded area decreased and there were production problems in at least one major producing region in Canada or the US. Prices normally relate to total Canadian and US supply conditions unless there are international influences, such as unusually high demand from importing countries or unusually high competition from other exporting countries. Among countries other than US and Canada, production levels in Brazil, Argentina, Mexico and China can also have significant impact on Canadian prices.

Since there is no formal futures market for dry beans, prices are negotiated directly between dealers and customers and are based on supply and demand factors for each class of beans. The prices negotiated could be for nearby delivery or for delivery as much as a year in the future.

Domestic Use

Canadian domestic use, which includes food, feed, seed, dockage and waste, accounts for only about 20% of production. It has been increasing gradually with increased production and increased use for food. Food use has been growing because of increased knowledge that dry beans are a healthy food, increased use of dry beans in ethnic cuisine, and the development of quick-cooking and specialty products. Dry beans are either canned, packaged dry for retail sale or further processed into products such as refried beans, pork and beans, stews, soups, chili, bean flour, bean paste, fibre biscuits, and snack food. Only a small amount of low grade, weather-damaged beans are used for livestock feed.

Exports and Imports

Canadian exports have been trending upwards in line with the increase in production. Although exports increased to all regions of the world, the largest increase was to Europe and the US. For white pea beans, the largest customer is the United Kingdom (UK) and for coloured beans, the

CANADA: DRY BEANS PRODUCTION BY PROVINCE

| August-July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002 | 2002 -2003 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
|thousand tonnes..... | | | | | |
| Manitoba | 72 | 122 | 147 | 160 | 231 |
| Ontario | 57 | 106 | 56 | 57 | 126 |
| Alberta | 46 | 43 | 44 | 60 | 32 |
| Quebec | 10 | 14 | 14 | 12 | 18 |
| Saskatchewan | 4* | 9* | 7* | 3* | n/a |
| Total | 189 | 294 | 268 | 292 | 407 |

n/a = not available

Source: Statistics Canada, except *which is Saskatchewan Agriculture, Food and Rural Revitalization, December 2002

CANADA: DRY BEANS PRODUCTION BY CLASS

| August-July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002 | 2002 -2003 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
|thousand tonnes..... | | | | | |
| White Pea | 66 | 143 | 110 | 115 | 202 |
| Pinto | 38 | 42 | 60 | 68 | 66 |
| Cranberry | 19 | 24 | 22 | 18 | 29 |
| Black | 18 | 23 | 18 | 24 | 47 |
| Great Northern | 7 | 14 | 19 | 26 | 14 |
| Small Red | 12 | 15 | 14 | 13 | 9 |
| Dark Red Kidney | 12 | 13 | 10 | 10 | 15 |
| Light Red Kidney | 5 | 8 | 8 | 8 | 11 |
| Pink | 5 | 6 | 1 | 4 | 5 |
| Other* | 7 | 6 | 6 | 6 | 9 |
| Total | 189 | 294 | 268 | 292 | 407 |

* brown, white kidney, azuki, otebo and kintoki, yellow eye, soldier, and Jacob's cattle

Source: AAFC estimate based on Statistics Canada and industry reports, December 2002

US. However, Canadian dry beans are exported to all parts of the world. The main importing countries are, in order of importance, the US, UK, Algeria, Italy, Spain and Colombia. All exports are carried out by the bean dealers. With about 80% of Canadian dry bean production moving to other countries, Canadian producers and dealers are far more dependent on exports than their counterparts in most other countries.

Canadian imports of dry beans are mostly from the US. There is a brisk trade in dry beans in both directions across the Canada-US border. Since many of the US and Canadian dealers are located near the border, many producers in both countries deliver beans across the border if there is a price advantage. In addition, dry beans are exported to processing plants in both countries and some of the imported beans are re-exported to other countries.

OUTLOOK

World: 2002-2003

World production is expected to be only marginally higher, compared to 2001-2002, at 16.9 Mt.

Canada and US: 2002-2003

Canadian dry bean seeded area increased by 26% to 225,000 hectares (ha) in 2002-2003. Dry white pea bean area increased by 41% to 108,000 ha and coloured bean area increased by 14% to 117,000 ha.

Canadian dry bean production increased by 39% to 407,000 tonnes (t) due mainly to the larger seeded area. Production of white pea beans increased by 75% to about 202,000 t, while coloured bean production increased by 18% to about 205,000 t. Regarding coloured beans, production increased for most classes, except for Pinto, Great Northern, and small red.

Total Canadian supply of all dry beans increased by 19% to 457,000 t, due to lower expected imports and lower carry-in stocks. Total use is expected to increase because of higher supply and lower prices. Carry-out stocks are expected to increase, with a stocks-to-use ratio of 15%.

US production increased by 63% to 1.33 Mt (excluding garbanzos). Production increased for all major classes of dry beans, with the exception of Great Northern.

However, lower carry-in stocks limited the increase in total supply. The top four bean classes; pinto, white pea (navy), black, and Great Northern, accounted for 44%, 18%, 11%, and 5% of US dry bean production respectively in 2002-2003.

In the US, dry beans are not included under the loan program of the US *Farm Security and Rural Investment Act of 2002*, nor were they included under the previous program.

Total Canadian and US supply increased by 30% to 1.86 Mt. Total use is expected to increase to a normal level due to higher supply and lower prices. Carry-out stocks are also expected to increase. Total Canadian and US supply increased for white pea, pinto, light red kidney, dark red kidney, pink, small red, cranberry and black beans, but decreased for Great Northern beans.

The average Canadian price, over all classes and grades, is expected to decrease by about 30% to \$485-515 per tonne, due to the higher total US and Canadian supply. Average prices are expected to decrease for those classes of beans with increased total supply, but increase for Great Northern beans.

Canada and US: 2003-2004

Early indications are that the seeded area for dry beans will decrease in both countries, as prices for many alternative crops are more attractive than for dry beans.

Canada: Long-Term

Canadian dry bean production is expected to increase over the decade, with the bulk of the growth occurring in western Canada, especially in Saskatchewan and Manitoba. The Saskatchewan dry bean industry is still in the development stage, but work is underway to develop shorter season pinto, black and white pea bean varieties. Commercial production of the shorter season varieties has started and Saskatchewan is expected to become an important dry bean producer. Production in Manitoba is also expected to grow and will likely expand into new areas with the development of shorter season varieties. The potential growth in Alberta dry bean seeded area is limited because beans use mainly irrigated land and face competition from crops, such as potatoes and sugar beets, which have higher net returns per hectare. Outside the irrigated area, Alberta is generally either too dry or has too short a growing season for dry bean production, but there could be some growth in new areas with the development of shorter season varieties.

Mexico, one of the top three importers of dry beans in the world, has the potential of becoming an important market for Canada. Under the *North American Free Trade Agreement*, a 15 year transition period, ending in 2008, was established for the import of dry beans from the US and Canada. For 2003, Canada has a tariff rate quota (TRQ) of 1,957 t and an over quota tariff of 58.7%. Dry beans imported for seeding already have a zero tariff rate. Canadian dry bean exports are expected to trend upwards during the next decade as a result of the increasing TRQ and decreasing tariff rate, which will be eliminated in 2008. The Mexican demand is mainly for coloured beans, especially pinto and black.

For periodic updates on the situation and outlook for dry beans, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Outlook."

For more information please contact:

Stan Skrypetz
Pulse and Special Crops Analyst
Phone: (204) 983-8972
E-mail: skrypetz@agr.gc.ca

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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CLASSES OF DRY BEANS PRODUCED IN CANADA

WHITE PEA (also known as navy and alubias chica)

- produced mainly in Manitoba and Ontario
- round beans used mainly for canning and dry packaging
- seeds/100 grams (g): 450-525
- most of the production is exported to the United Kingdom, where they are mainly canned in tomato sauce; also used in soups, stews, pork and beans, baked bean dishes, salads and purees

PINTO

- produced mainly in Manitoba and Alberta
- flat beans, with white to beige background and brown mottled flecks
- seeds/100 g: 260-300
- used for refried beans and dry packaging a favourite for Mexican and South American dishes; beans turn solid pink when cooked

BLACK (black turtle, preto)

- produced mainly in Manitoba and Ontario
- seeds/100 g: 500-550
- used for canning and dry packaging
- popular in Caribbean, Mexican and South American cuisine, traditional in soups, stews and sauces; add colour to salads

LIGHT RED KIDNEY

- produced mainly in Ontario and Manitoba
- kidney shaped, brownish red in colour
- seeds/100 g: 170-220
- used for canning and dry packaging
- used in salads, casseroles, chili and Mexican cuisine

DARK RED KIDNEY

- produced mainly in Ontario and Manitoba
- kidney shaped, dark red in colour
- seeds/100 g: 150-200
- used for canning and dry packaging
- favoured bean for making New Orleans red bean dish, soups, casseroles and chili

SMALL RED (red Mexican)

- produced mainly in Alberta and Manitoba
- dark red beans
- seeds/100 gm: 275-330
- used for canning and dry packaging
- adds sparkle to bean salads; can be used in any coloured bean recipe including soups, salads, chili and Creole dishes

AZUKI

- small red bean
- produced in Ontario
- sweet red bean paste
- exported to Japan

GREAT NORTHERN (large white)

- produced mainly in Alberta and Manitoba
- flat, white coloured beans
- seeds/100 g: 280-300
- used for dry packaging
- a frequent choice for soups, stews, casseroles, baked dishes and mixing with other varieties

PINK

- produced mainly in Alberta and Manitoba
- pinkish beige beans
- seeds/100 g: 330-400
- used for refried beans and dry packaging
- popular in barbecue style dishes, chili, soups, salads and casseroles

BROWN (dutch brown)

- produced in Ontario and Manitoba
- tan in colour, with a white hilum
- seeds/100 g: 210-300
- used for canning and dry packaging

WHITE KIDNEY (Cannellini, alubia type)

- flat white bean
- produced mainly in Ontario
- seeds/100 g: 150-200
- used for canning and dry packaging
- make a perfect low fat base for dips and spreads

CRANBERRY (romano, speckled sugar)

- produced in Ontario, Quebec and Manitoba
- burgundy mottled beans with a white to buff seed coat
- seeds/100 g: 145-225
- used for dry packaging & canning; used in soups, stews, chili & salads
- a favourite for Italian cuisine

KINTOKI

- red bean
- produced in Ontario
- exported to Japan
- consumed whole as sweetened cooked beans

OTEDO

- white bean
- produced in Ontario
- sweet white bean paste
- exported to Japan

CANADA: DRY BEANS EXPORTS

| August-July crop year | 1998 -1999 | 1999 -2000 | 2000 -2001 | 2001 -2002 | 2002 -2003f |
|-------------------------------|---------------------------|---------------|---------------|---------------|----------------|
| |thousand tonnes..... | | | | |
| Europe | 71 | 118 | 96 | 93 | 100 |
| United States | 33 | 57 | 77 | 124 | 90 |
| Africa | 10 | 12 | 6 | 14 | 20 |
| Central America and Caribbean | 44 | 23 | 12 | 11 | 25 |
| South America | 17 | 26 | 16 | 6 | 25 |
| Asia and Oceania | 10 | 11 | 11 | 9 | 20 |
| Middle East | 8 | 13 | 9 | 6 | 10 |
| Total | 193 | 260 | 227 | 263 | 290 |

f: forecast, AAFC, December 2002

Source: Statistics Canada

US AND CANADA: TOTAL DRY BEAN* SUPPLY AND DISPOSITION

| | 1999 -2000 | 2000 -2001 | 2001 -2002 | 2002 -2003f |
|---------------------|---------------------------|---------------|---------------|----------------|
| |thousand tonnes..... | | | |
| Carry-in Stocks | 325 | 495 | 324 | 125 |
| Production | 1,762 | 1,407 | 1,106 | 1,735 |
| Total Supply | 2,087 | 1,902 | 1,430 | 1,860 |
| Total Use | 1,592 | 1,578 | 1,305 | 1,570 |
| Carry-out Stocks | 495 | 324 | 125 | 290 |

* excluding kabuli chick peas (garbanzos)

f: forecast, AAFC and industry, December 2002

Source: USDA, Statistics Canada, US Dry Bean Convention, other industry reports and AAFC estimates

| US AND CANADA: TOTAL SUPPLY AND DISPOSITION FOR MAJOR CLASSES OF DRY BEANS | | | | | | | | | | | |
|--|---------------|---------------|----------------------------|---------------|---------------|----------------------------|---------------|---------------|----------------------------|---------------|---------------|
| WHITE PEA | | | LIGHT RED KIDNEY | | | SMALL RED | | | GREAT NORTHERN | | |
| 1999 -2000 | 2000 -2001 | 2001 -2002 | 1999 -2000 | 2000 -2001 | 2001 -2002 | 1999 -2000 | 2000 -2001 | 2001 -2002 | 1999 -2000 | 2000 -2001 | 2001 -2002 |
| thousand tonnes..... | | | thousand tonnes..... | | | thousand tonnes..... | | | thousand tonnes..... | | |
| Carry-in Stocks | 30 | 147 | 117 | 45 | 125 | Carry-in Stocks | 4 | 5 | 9 | 3 | 3 |
| Production | 474 | 326 | 220 | 442 | | Production | 71 | 69 | 43 | 68 | |
| Total Supply | 504 | 473 | 337 | 487 | | Total Supply | 75 | 74 | 52 | 71 | |
| Total Use | 357 | 356 | 292 | 362 | | Total Use | 70 | 65 | 49 | 67 | |
| Carry-out Stocks | 147 | 117 | 45 | 125 | | Carry-out Stocks | 5 | 9 | 3 | 4 | |
| Average Producer Price* | | | | | | Average Producer Price* | | | | | |
| \$/t | 441 | 375 | 617 | 397 | | \$/t | 650 | 617 | 871 | 661 | |
| \$/lb | 0.200 | 0.170 | 0.280 | 0.180 | | \$/lb | 0.295 | 0.280 | 0.395 | 0.300 | |
| PINK | | | DARK RED KIDNEY | | | CRANBERRY | | | PINK | | |
| Carry-in Stocks | 206 | 160 | 101 | 35 | 80 | Carry-in Stocks | 4 | 5 | 8 | 3 | 4 |
| Production | 533 | 544 | 464 | 655 | | Production | 76 | 56 | 43 | 64 | |
| Total Supply | 739 | 704 | 565 | 690 | | Total Supply | 80 | 61 | 51 | 67 | |
| Total Use | 579 | 603 | 530 | 610 | | Total Use | 75 | 53 | 48 | 63 | |
| Carry-out Stocks | 160 | 101 | 35 | 80 | | Carry-out Stocks | 5 | 8 | 3 | 4 | |
| Average Producer Price* | | | | | | Average Producer Price* | | | | | |
| \$/t | 408 | 408 | 816 | 485 | | \$/t | 628 | 617 | 981 | 617 | |
| \$/lb | 0.185 | 0.185 | 0.370 | 0.220 | | \$/lb | 0.285 | 0.280 | 0.445 | 0.280 | |
| BLACK | | | PINTO | | | SMALL RED | | | BLACK | | |
| Carry-in Stocks | 32 | 77 | 25 | 10 | 65 | Carry-in Stocks | 9 | 17 | 8 | 2 | |
| Production | 176 | 79 | 60 | 188 | | Production | 56 | 28 | 21 | 37 | |
| Total Supply | 208 | 156 | 85 | 198 | | Total Supply | 65 | 45 | 29 | 39 | |
| Total Use | 131 | 131 | 75 | 133 | | Total Use | 48 | 37 | 27 | 37 | |
| Carry-out Stocks | 77 | 25 | 10 | 65 | | Carry-out Stocks | 17 | 8 | 2 | 2 | |
| Average Producer Price* | | | | | | Average Producer Price* | | | | | |
| \$/t | 419 | 397 | 959 | 419 | | \$/t | 463 | 441 | 739 | 551 | |
| \$/lb | 0.190 | 0.180 | 0.435 | 0.190 | | \$/lb | 0.210 | 0.200 | 0.335 | 0.250 | |

* Manitoba spot price, No.1 Canada grade

f: forecast, AAFC, December 2002

Source: USDA, Statistics Canada, US Dry Bean Convention, other industry reports and AAFC estimates



CANADA: GRAINS AND OILSEEDS OUTLOOK

DECEMBER 9, 2002

Total production of grains and oilseeds is estimated to decrease by 17% from 2001-02 to 41.9 million tonnes (Mt) according to Statistics Canada's (STC) November production estimates. In western Canada, due to one of the worst droughts on record across the central and northern regions of Saskatchewan and Alberta, crop abandonment is sharply higher, and yields are significantly lower than normal. Rains and freezing temperatures delayed the harvest and downgraded crop quality. In Alberta and Saskatchewan, a small portion of the crop has not been harvested to-date. In eastern Canada, which had a normal growing season with adequate precipitation and average yields, corn and soybean production has increased significantly from last year. Total carry-in stocks of all grains and oilseeds in Canada for 2002-03 are also below 2001-02 based on STC data. Domestic supplies are therefore significantly below last year. Wheat exports are projected to fall to the lowest level in almost half a century, while corn imports from the US are forecast to increase to a record high level. Total exports of grains and oilseeds are forecast to fall to a modern-day low of about 15 Mt, as lower exports of wheat, durum, barley, oats, canola and flaxseed more than offset higher exports of corn and soybeans, and Canada has to ration supplies to traditional customers. Exports to the US are projected by AAFC to decline sharply from 2001-02 due to the small size and poor quality of this year's crop. These projections are highly tentative at this time due to continuing uncertainty on the quality of the crop.

Canadian and world grain and oilseed prices have already increased substantially from a year ago, and are expected to average significantly higher than 2001-02, due mainly to lower US and world ending stocks. The major factors to watch are: crop quality, the extent of drought in Australia, the size and aggressiveness of the European Union export program, the competitiveness of non-traditional exporters of wheat and coarse grains, and the Canada/US exchange rate.

WHEAT (ex-durum)

Production for 2002-03 is estimated by STC to fall by 32%, to about 12 Mt, the lowest since 1970-71. Imports are currently projected at a record 0.2 Mt, due to imports of feed wheat into eastern Canada. Total supplies are 30% below 2001-02, at 17.1 Mt. Exports are projected to fall by over 50%, to only 6.0 Mt, the lowest since 1954-55. Western non-durum exports (excluding products) to the US are projected by AAFC to fall to 0.2 - 0.4 Mt, vs. 1.16 Mt in 2001-02. Feed use is expected to increase due to the poor quality of the crop. Carry-out stocks are forecast to fall by 28% from 2001-02, to 3.5 Mt, the lowest in over 40 years. The Canadian Wheat Board (CWB) November Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$292/t, in-store Vancouver/St. Lawrence (I/S VC/SL), vs. the final realized price of \$207.16/t for 2001-02. Ontario winter wheat production is up by 8%, at 1.14 Mt, due to lower abandonment and good yields. The Ontario Wheat Producers' Marketing Board's projected pool returns for No.1 CEWW wheat are \$185-195/t, terminal or processor position, vs. \$139/t in 2001-02.

DURUM

Production was less affected by the 2002 drought, as it is concentrated in the southern Prairies, where precipitation was more adequate. Production is up by 24% from the drought-reduced 2001-02 crop, at 3.7 Mt, but remains well below the 5-year average of 4.7 Mt. Supplies are 9% lower than in 2001-02 due to a 43% drop in carry-in stocks. Exports are forecast to decline slightly to 3.5 Mt. Exports to the US (excluding products) are projected by AAFC at 0.35-0.45 Mt, vs. 0.56 Mt in 2001-02. Carry-out stocks are projected to fall by 48%, to 0.85 Mt, vs. the 5-year average of 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$292/t, I/S VC/SL, vs. the final realized price of \$260.43/t for 2001-02. The PRO for No. 1 CWAD 11.5% protein is equal to that for No.1 CWRS 11.5% protein, compared to a premium of \$53/t for 2001-02.

BARLEY

Production decreased by 33% to 7.3 Mt, the lowest level since 1968. Average yields are the lowest since 1975 and the unharvested area is the highest on record due to widespread crop failure and a shortage of fodder. Feed use is expected to decline due to lower supplies. Malting barley exports are forecast to fall to a ten year low due to low supplies, poor quality and high feed grain prices. Barley exports to the US (excluding products) are projected by AAFC at 0.2-0.3 Mt, vs. 0.47 Mt in 2001-02. Feed barley exports are projected to be negligible. Carry-out stocks are forecast to decline to the lowest level in modern times. Off-Board feed barley prices are expected to remain strong, near current levels. The CWB PRO for No.1 CW Feed Barley is \$187/t vs. the final realized price of \$180/t for 2001-02 and the PRO for Special Select Two Row Designated Barley is \$252/t vs. the final realized price of \$210.74/t for 2001-02.

OATS

Production increased by 2% from 2001-02 due to higher seeded area. However, the unharvested area reached the highest level on record due to strong demand for fodder and widespread crop failure. Supplies have decreased because of lower carry-in stocks. Exports are forecast to decline due to lower supplies and increased competition from the EU. Exports to the US (excluding products) are projected by AAFC at 0.75-0.95 Mt, vs. 1.08 Mt in 2001-02. Carry-out stocks are expected to remain very low and the average price is forecast to be similar to 2001-02, at \$190-220/t.

CORN

Production increased by 8% from 2001-02. Imports from the US are projected to be a record, largely due to a shortage of barley in western Canada. Imports into western Canada are projected to increase sharply to 3.3 Mt, while imports into eastern Canada are forecast to remain strong at 1.3 Mt. Feed use is expected to rise, especially in western Canada. The average Chatham corn price is forecast to increase to \$135-165/t due to higher US corn prices.

CANOLA

Production decreased by 27% from 2001-02, to 3.6 Mt. Despite higher carry-in stocks, domestic supplies fell by 20%. Exports are forecast to decline by 11% to 2.3 Mt. Domestic crush is expected to fall by 8% to 2.1 Mt, the lowest level since 1992-93. Carry-out stocks are forecast to fall to a historically low level. The average price is expected to rise sharply from 2001-02 to \$430-460/t, due to higher world vegoil prices and lower canola supplies.

FLAXSEED (excluding solin)

Production decreased by 5%, but domestic supplies are forecast to decrease by 11% due to sharply lower carry-in stocks. Domestic use and exports are both expected to decrease slightly. Carry-out stocks are expected to decline considerably and the average price is expected to increase to \$410-440/t.

SOYBEANS

Production increased sharply to 2.3 Mt, due to increased yields from the historically low level of 2001-02. Domestic supplies are expected to increase significantly, and as a result exports are expected to increase, while imports decrease. Domestic crush is projected to remain near the full capacity level. The average Chatham soybean price is forecast to increase to \$285-325/t, largely due to higher US soybean prices.

FURTHER INFORMATION:

Wheat Glenn Lennox.....(204) 983-8465
E-mail.....lennoxg@agr.gc.ca
Coarse Grains..Dennis Jackson 983-8461
E-mailjacksond@agr.gc.ca
Oilseeds Stan Spak 983-8467
E-mailspaks@agr.gc.ca
Fred Oleson, Chief 983-0807
E-mailolesonf@agr.gc.ca

www.agr.gc.ca/mad-dam/

LAMAD/OUTLOOKS&D/2002/Dec2002dec2002.wpd

CANADA: GRAINS AND OILSEEDS OUTLOOK

DECEMBER 9, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (c) | Food and Ind. Use | Feed, Waste & Dockage | Total Dom- estic Use (d) | Carry-out Stocks | Average Price (e) \$/t |
|------------------------------------|-----------------------------|---------------|------------|----------------|-----------------|----------------|----------------------|--------------------------|-----------------------------|---------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | | | |
| Durum | | | | | | | | | | | |
| 2000-2001 | 2,614 | 2.18 | 5,709 | 10 | 7,494 | 3,487 | 255 | 674 | 1,135 | 2,872 | 242.61 |
| 2001-2002 | 2,036 | 1.47 | 2,987 | 12 | 5,871 | 3,628 | 246 | 131 | 615 | 1,629 | 260.43 |
| 2002-2003f | 2,165 | 1.72 | 3,714 | 10 | 5,353 | 3,500 | 250 | 523 | 1,003 | 850 | 292* |
| Wheat Except Durum | | | | | | | | | | | |
| 2000-2001 | 8,349 | 2.49 | 20,811 | 50 | 26,785 | 13,623 | 2,760 | 2,772 | 6,376 | 6,786 | 182.41 |
| 2001-2002 | 8,550 | 2.06 | 17,581 | 85 | 24,452 | 12,579 | 2,826 | 3,401 | 7,014 | 4,859 | 207.16 |
| 2002-2003f | 6,428 | 1.86 | 11,976 | 225 | 17,060 | 6,000 | 2,825 | 3,890 | 7,560 | 3,500 | 292* |
| All Wheat | | | | | | | | | | | |
| 2000-2001 | 10,963 | 2.42 | 26,519 | 60 | 34,279 | 17,110 | 3,015 | 3,445 | 7,511 | 9,658 | |
| 2001-2002 | 10,585 | 1.94 | 20,568 | 97 | 30,323 | 16,207 | 3,073 | 3,532 | 7,628 | 6,488 | |
| 2002-2003f | 8,593 | 1.83 | 15,690 | 235 | 22,413 | 9,500 | 3,075 | 4,413 | 8,563 | 4,350 | |
| Barley | | | | | | | | | | | |
| 2000-2001 | 4,551 | 2.89 | 13,172 | 40 | 16,050 | 2,641 | 358 | 10,123 | 10,893 | 2,516 | 128.85 |
| 2001-2002 | 4,150 | 2.61 | 10,846 | 112 | 13,473 | 1,758 | 300 | 8,967 | 9,715 | 2,000 | 158.60 |
| 2002-2003f | 3,267 | 2.23 | 7,283 | 300 | 9,583 | 850 | 300 | 6,678 | 7,433 | 1,300 | 175-205 |
| Corn | | | | | | | | | | | |
| 2000-2001 | 1,088 | 6.27 | 6,827 | 2,872 | 11,251 | 104 | 2,145 | 8,087 | 10,267 | 880 | 119.64 |
| 2001-2002 | 1,267 | 6.62 | 8,389 | 3,882 | 13,151 | 190 | 2,285 | 9,585 | 11,905 | 1,056 | 132.90 |
| 2002-2003f | 1,288 | 7.04 | 9,065 | 4,600 | 14,721 | 400 | 2,425 | 10,811 | 13,121 | 1,200 | 135-165 |
| Oats | | | | | | | | | | | |
| 2000-2001 | 1,299 | 2.61 | 3,389 | 8 | 4,519 | 1,760 | 110 | 1,632 | 1,906 | 854 | 114.49 |
| 2001-2002 | 1,238 | 2.17 | 2,691 | 53 | 3,598 | 1,430 | 129 | 1,467 | 1,803 | 365 | 202.28 |
| 2002-2003f | 1,298 | 2.12 | 2,749 | 15 | 3,128 | 1,250 | 150 | 1,160 | 1,528 | 350 | 190-220 |
| Rye | | | | | | | | | | | |
| 2000-2001 | 115 | 2.27 | 260 | 5 | 426 | 89 | 68 | 175 | 260 | 77 | |
| 2001-2002 | 123 | 1.85 | 228 | 4 | 309 | 62 | 39 | 144 | 198 | 49 | |
| 2002-2003f | 77 | 1.74 | 134 | 5 | 188 | 40 | 38 | 52 | 108 | 40 | |
| Mixed Grains | | | | | | | | | | | |
| 2000-2001 | 128 | 2.98 | 382 | 0 | 382 | 0 | 0 | 382 | 382 | 0 | |
| 2001-2002 | 159 | 2.80 | 447 | 0 | 447 | 0 | 0 | 447 | 447 | 0 | |
| 2002-2003f | 132 | 2.72 | 359 | 0 | 359 | 0 | 0 | 359 | 359 | 0 | |
| Total Coarse Grains | | | | | | | | | | | |
| 2000-2001 | 7,181 | 3.35 | 24,031 | 2,925 | 32,628 | 4,594 | 2,681 | 20,398 | 23,707 | 4,327 | |
| 2001-2002 | 6,937 | 3.26 | 22,600 | 4,051 | 30,977 | 3,439 | 2,753 | 20,609 | 24,068 | 3,470 | |
| 2002-2003f | 6,062 | 3.23 | 19,589 | 4,920 | 27,979 | 2,540 | 2,913 | 19,060 | 22,549 | 2,890 | |
| Canola | | | | | | | | | | | |
| 2000-2001 | 4,816 | 1.50 | 7,205 | 224 | 9,586 | 4,859 | 3,013 | 596 | 3,640 | 1,088 | 290.70 |
| 2001-2002 | 3,765 | 1.31 | 4,926 | 226 | 6,240 | 2,524 | 2,293 | 176 | 2,502 | 1,215 | 357.45 |
| 2002-2003f | 2,857 | 1.25 | 3,577 | 150 | 4,942 | 2,250 | 2,100 | 197 | 2,342 | 350 | 430-460 |
| Flaxseed excluding Solin | | | | | | | | | | | |
| 2000-2001 | 591 | 1.17 | 693 | 11 | 1,090 | 613 | n/a | n/a | 218 | 259 | 261.03 |
| 2001-2002 | 662 | 1.08 | 715 | 24 | 998 | 618 | n/a | n/a | 191 | 189 | 319.77 |
| 2002-2003f | 633 | 1.07 | 679 | 25 | 893 | 600 | n/a | n/a | 173 | 120 | 410-440 |
| Soybeans | | | | | | | | | | | |
| 2000-2001 | 1,061 | 2.55 | 2,703 | 431 | 3,386 | 747 | n/a | n/a | 2,454 | 185 | 256.09 |
| 2001-2002 | 1,069 | 1.53 | 1,635 | 982 | 2,803 | 489 | n/a | n/a | 2,141 | 172 | 269.01 |
| 2002-2003f | 1,024 | 2.28 | 2,335 | 400 | 2,907 | 500 | n/a | n/a | 2,217 | 190 | 285-325 |
| Total Oilseeds | | | | | | | | | | | |
| 2000-2001 | 6,468 | 1.64 | 10,601 | 666 | 14,062 | 6,219 | n/a | n/a | 6,312 | 1,532 | |
| 2001-2002 | 5,495 | 1.32 | 7,277 | 1,233 | 10,041 | 3,632 | n/a | n/a | 4,834 | 1,576 | |
| 2002-2003f | 4,514 | 1.46 | 6,591 | 575 | 8,742 | 3,350 | n/a | n/a | 4,732 | 660 | |
| Total Grains And Oilseeds | | | | | | | | | | | |
| 2000-2001 | 24,612 | 2.48 | 61,151 | 3,651 | 80,969 | 27,923 | n/a | n/a | 37,530 | 15,516 | |
| 2001-2002 | 23,018 | 2.19 | 50,444 | 5,381 | 71,341 | 23,277 | n/a | n/a | 36,531 | 11,533 | |
| 2002-2003f | 19,169 | 2.18 | 41,871 | 5,730 | 59,134 | 15,390 | n/a | n/a | 35,844 | 7,900 | |

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use. **For flaxseed and soybeans, food/industrial use and feed/waste/dockage are included in the total domestic use, but are not listed due to data confidentiality.**

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* November 2002 CWB Pool Return Outlook (PRO). Prices for No. 1 CWRS and No. 1 CWAD with 11.5% protein for 2000-01 to 2002-03.

This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, December 9, 2002

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

DECEMBER 10, 2002

Production of pulse and special crops for 2002-03 decreased by 24%, compared to 2001-02, to 2.78 million tonnes (Mt), based on Statistics Canada's November production estimate. Total supply decreased by 23%. Total exports, domestic use and carry-out stocks for 2002-03 are forecast to decrease due to the lower supply. Average prices, over all grades and markets, are forecast to increase, compared to 2001-02, for dry peas, lentils, mustard seed, canary seed and sunflower seed, but decrease for dry beans and chick peas, and to be stable for buckwheat.

In western Canada, due to one of the worst droughts on record in the central and northern regions of Alberta and Saskatchewan, crop abandonment was sharply higher and yields were significantly lower than normal. Rains and freezing temperatures delayed the harvest, reduced yields, increased abandonment further, and downgraded crop quality. In Alberta and Saskatchewan, a portion of the crop has not been harvested to date, most significantly for dry beans, chick peas and canary seed. The average quality of the dry pea, lentil, chick pea, mustard seed and sunflower seed crops was lower than normal because of significant damage from frost, rain and disease. Therefore, price spreads between the grades for these crops are higher, compared to 2001-02. In eastern Canada, yields and quality were normal. The major factors to watch are crop quality, winter crop conditions in the Indian sub-continent, South America and Mexico, competition from non-traditional suppliers and the Canada/US exchange rate.

DRY PEAS

For 2002-03, production decreased by 33% from 2001-02, due to lower seeded area, much higher abandonment and lower yields. Production decreased for all types, including yellow and green. Total supply decreased by 26%, as lower production was partly offset by higher carry-in stocks. Total world supply is expected to decrease by 13% to 9.5 Mt. Canadian exports are forecast to decrease, due to the lower supply, but domestic use is expected to remain stable. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, grades and markets, is forecast to increase by about 10%, compared to 2001-02, as support from the lower supply is partly offset by lower average quality.

LENTILS

Production decreased by 37%, due to lower seeded area and much higher abandonment. Production decreased for all types, including large green, medium green, small green and red. Total supply decreased by 41%, due to lower production and carry-in stocks. Total world supply is expected to decrease by 9% to 3.4 Mt. Canadian exports and domestic use are expected to decrease due to the lower supply. Carry-out stocks are forecast to decrease to a very low level. The average price, over all types and grades, is forecast to increase by about 25%, as support from the lower supply is partly offset by lower average quality.

DRY BEANS

Production increase by 41%, due to an increase in seeded area and higher yields. Production of white pea, dark and light red kidney, cranberry, black, pink and pinto beans increased, while production of small red and Great Northern beans decreased. Total supply is expected to increase by 20% because of lower carry-in stocks and an expected drop in imports. Exports are forecast to increase, due to lower prices, but carry-out stocks are also expected to increase, with a stocks-to-use (s/u) ratio of 16%. US production increased by

63% to 1.33 Mt. Total US and Canadian supply increased by 34% to 1.90 Mt, as lower carry-in stocks partly offset the increase in production. Average prices are expected to be lower than in 2001-02, except for Great Northern beans, for which prices are expected to be higher. The average price, over all classes and grades, is forecast to decrease by about 30% because of increased supply.

CHICK PEAS

Production decreased by 66%, due to a decrease in seeded area and much higher abandonment. Production decreased for all three types, large kabuli, small kabuli and desi. Total supply decreased by 40%, as higher carry-in stocks partly offset the decline in production. Total world supply is expected to fall by 7% to 7.7 Mt. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are forecast to decrease to a very low level. The average price over all types, sizes and grades is forecast to decrease by 5-10%, as support from the lower supply is more than offset by lower average quality and a shift away from the production of the higher priced large kabuli type.

MUSTARD SEED

Production increased by 47%, due to higher seeded area. Production increased for the yellow and brown types, but was similar to 2001-02 for the oriental type. Total supply decreased by 10%, as sharply lower carry-in stocks more than offset the increase in production. Canadian exports are expected to decrease, due to the lower supply. Carry-out stocks are forecast to decrease to a very low level. Average prices are expected to be lower than in 2001-02 for the yellow type because of increased supply in Canada and the US, but higher for the brown and oriental types. The average price, over all types and grades, is forecast to increase only slightly, as some of the price support from the lower supply is partly offset by lower average quality.

CANARY SEED

Production increased by 44%, due to higher seeded area. Total supply increased by only 5%, due to lower carry-in stocks. Total world supply is expected to increase slightly to 245,000 t. Canadian exports are expected to increase slightly, because of the higher supply. Carry-out stocks are forecast to decrease, with a s/u ratio of 15%. The average price is forecast to increase by 5-10% because of stronger demand.

SUNFLOWER SEED

Production increased by 52%, due to higher seeded area and higher average yields. Production increased for both confectionary and oilseed types. Total supply is forecast to increase by only 8% because of lower carry-in stocks and lower expected imports. Exports and domestic use are expected to increase. Carry-out stocks are forecast to be low, with a s/u ratio of 11%. Total US production decreased by 24% to 1.176 Mt. Total world supply is expected to increase by 7% to 23.8 Mt. However, total US and Canadian supply of both types is expected to decrease significantly and prices are expected to rise. The average price, over both types and all grades and markets, is forecast to increase by about 25%.

BUCKWHEAT

Production decreased by 25%, due to lower seeded area. Total use is forecast to decrease due to the lower supply. The average price over all grades and markets is forecast to be similar to 2001-02, in line with stable world total supply of about 3.4 Mt.

FURTHER INFORMATION:

Stan Skrypetz(204) 983-8972
E-mail skrypetzs@agr.gc.ca
Fred Oleson, Chief(204) 983-0807
E-mail.....olesonf@agr.gc.ca

www.agr.gc.ca/mad-dam/

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

DECEMBER 10, 2002

| Grain and Crop Year (a) | Harvested Area 000 ha | Yield t/ha | Production | Imports (b) | Total Supply | Exports (b) | Total Domestic Use (d) | Carry-out Stocks | Average Price (e) \$/t |
|--|-----------------------------|---------------|------------|----------------|-----------------|----------------|---------------------------|---------------------|------------------------------|
| ----- thousand metric tonnes ----- | | | | | | | | | |
| Dry Peas | | | | | | | | | |
| 1998-1999 | 1,078 | 2.17 | 2,337 | 10 | 2,727 | 1,705 | 647 | 375 | 135 |
| 1999-2000 | 835 | 2.70 | 2,252 | 12 | 2,639 | 1,417 | 822 | 400 | 135 |
| 2000-2001 | 1,220 | 2.35 | 2,864 | 12 | 3,276 | 2,196 | 885 | 195 | 138 |
| 2001-2002 | 1,285 | 1.57 | 2,023 | 27 | 2,245 | 1,401 | 569 | 275 | 190 |
| 2002-2003f | 1,050 | 1.30 | 1,365 | 30 | 1,670 | 1,000 | 570 | 100 | 205-235 |
| Lentils | | | | | | | | | |
| 1998-1999 | 372 | 1.29 | 480 | 7 | 552 | 372 | 120 | 60 | 381 |
| 1999-2000 | 497 | 1.46 | 724 | 10 | 794 | 503 | 211 | 80 | 380 |
| 2000-2001 | 688 | 1.33 | 914 | 5 | 999 | 475 | 268 | 256 | 295 |
| 2001-2002 | 664 | 0.85 | 566 | 6 | 828 | 478 | 219 | 131 | 320 |
| 2002-2003f | 387 | 0.91 | 354 | 5 | 490 | 330 | 150 | 10 | 385-415 |
| Dry Beans | | | | | | | | | |
| 1998-1999 | 96 | 1.97 | 189 | 69 | 273 | 193 | 55 | 25 | 655 |
| 1999-2000 | 154 | 1.91 | 294 | 41 | 360 | 260 | 60 | 40 | 500 |
| 2000-2001 | 165 | 1.62 | 268 | 40 | 348 | 227 | 71 | 50 | 465 |
| 2001-2002 | 172 | 1.70 | 293 | 42 | 385 | 263 | 92 | 30 | 725 |
| 2002-2003f | 218 | 1.89 | 413 | 20 | 463 | 290 | 108 | 65 | 485-515 |
| Chick Peas | | | | | | | | | |
| 1998-1999 | 40 | 1.33 | 53 | 2 | 56 | 14 | 37 | 5 | 493 |
| 1999-2000 | 139 | 1.42 | 197 | 5 | 207 | 56 | 136 | 15 | 390 |
| 2000-2001 | 283 | 1.37 | 388 | 5 | 408 | 179 | 199 | 30 | 410 |
| 2001-2002 | 467 | 0.97 | 455 | 12 | 497 | 190 | 177 | 130 | 380 |
| 2002-2003f | 154 | 1.01 | 156 | 10 | 296 | 175 | 106 | 15 | 335-365 |
| Mustard Seed | | | | | | | | | |
| 1998-1999 | 279 | 0.86 | 239 | 1 | 288 | 162 | 76 | 50 | 350 |
| 1999-2000 | 273 | 1.12 | 306 | 1 | 357 | 170 | 72 | 115 | 285 |
| 2000-2001 | 208 | 0.97 | 202 | 1 | 318 | 151 | 62 | 105 | 280 |
| 2001-2002 | 158 | 0.66 | 105 | 3 | 213 | 170 | 10 | 33 | 685 |
| 2002-2003f | 255 | 0.60 | 154 | 5 | 192 | 155 | 27 | 10 | 680-710 |
| Canary Seed | | | | | | | | | |
| 1998-1999 | 208 | 1.13 | 235 | 0 | 299 | 137 | 52 | 110 | 248 |
| 1999-2000 | 146 | 1.14 | 166 | 0 | 276 | 157 | 29 | 90 | 240 |
| 2000-2001 | 164 | 1.04 | 171 | 0 | 261 | 170 | 21 | 70 | 265 |
| 2001-2002 | 164 | 0.70 | 114 | 0 | 184 | 134 | 20 | 30 | 660 |
| 2002-2003f | 214 | 0.77 | 164 | 0 | 194 | 140 | 29 | 25 | 690-720 |
| Sunflower Seed | | | | | | | | | |
| 1998-1999 | 69 | 1.62 | 112 | 17 | 132 | 43 | 85 | 4 | 388 |
| 1999-2000 | 79 | 1.54 | 122 | 19 | 145 | 49 | 55 | 41 | 295 |
| 2000-2001 | 69 | 1.72 | 119 | 18 | 178 | 77 | 55 | 46 | 320 |
| 2001-2002 | 67 | 1.55 | 104 | 30 | 180 | 92 | 66 | 22 | 355 |
| 2002-2003f | 95 | 1.65 | 157 | 15 | 194 | 100 | 74 | 20 | 425-455 |
| Buckwheat | | | | | | | | | |
| 1998-1999 | 14 | 1.07 | 15 | 3 | 19 | 8 | 9 | 2 | 315 |
| 1999-2000 | 13 | 1.00 | 13 | 1 | 16 | 8 | 7 | 1 | 305 |
| 2000-2001 | 15 | 0.93 | 14 | 1 | 16 | 9 | 7 | | 305 |
| 2001-2002 | 14 | 1.14 | 16 | 1 | 17 | 8 | 8 | 1 | 325 |
| 2002-2003f | 11 | 1.09 | 12 | 1 | 14 | 7 | 7 | | 310-340 |
| Total Pulse And Special Crops (c) | | | | | | | | | |
| 1998-1999 | 2,156 | 1.70 | 3,660 | 109 | 4,346 | 2,634 | 1,081 | 631 | |
| 1999-2000 | 2,136 | 1.91 | 4,074 | 89 | 4,794 | 2,620 | 1,392 | 782 | |
| 2000-2001 | 2,812 | 1.76 | 4,940 | 82 | 5,804 | 3,484 | 1,568 | 752 | |
| 2001-2002 | 2,991 | 1.23 | 3,676 | 121 | 4,549 | 2,736 | 1,161 | 652 | |
| 2002-2003f | 2,384 | 1.16 | 2,775 | 86 | 3,513 | 2,197 | 1,071 | 245 | |

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, December 10, 2002.

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS | | | | | | | | | | | | | | | | | | As of Monday December 2, 2002 | | | | | | | |
|---|------------------|-------------|------------|------------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|-------------------------------|--|--|--|--|--|--|--|
| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL | | | | | | | | |
| Vancouver B.C. | This week | FOB | 233.16 | N/A | 216.16 | 195.00 | 195.00 | 330.50 | (7) 246.50 | 190.00 | 315.00 | (4) 900.00 | 540.00 | | | | 430.00 | | | | | | | | |
| | Week ago | | 233.16 | N/A | 218.16 | 200.00 | | 334.00 | (7) 236.50 | 195.00 | 315.00 | (4) 900.00 | 540.00 | | | | 430.00 | | | | | | | | |
| Calgary Alta | This week | FOB | 210.00 | N/A | 193.00 | 185.00 | 185.00 | 327.00 | N/A | | 275.00 | (4) 950.00 | 575.00 | | | | 430.00 | | | | | | | | |
| | Week ago | | 210.00 | N/A | 195.00 | 190.00 | 190.00 | 325.50 | N/A | | 275.00 | (4) 950.00 | 575.00 | | | | 430.00 | | | | | | | | |
| Saskatoon Sask. | This week | FOB | 182.50 | 210.00 | 177.50 | 183.00 | 183.00 | 322.00 | 245.00 | | 275.00 | (4) N/A | 575.00 | | 196.67 | | 460.00 | | | | | | | | |
| | Week ago | | 186.50 | 235.00 | 184.00 | 183.00 | 183.00 | 318.50 | 235.00 | | 275.00 | (4) N/A | 575.00 | | 200.00 | | 460.00 | | | | | | | | |
| Melfort Sask. | This week | FOB | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | N/A | N/A | N/A | | | | | | | | | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | 185.00 | (9) 215.00 | 187.50 | 168.00 | 168.00 | 305.50 | 235.00 | | 295.00 | (4) 925.00 | 465.00 | | | | 450.00 | | | | | | | | |
| | Week ago | | 181.50 | (9) 215.00 | 185.00 | 170.00 | 170.00 | 302.00 | 225.00 | | 295.00 | (4) 912.50 | 465.00 | | | | 450.00 | | | | | | | | |
| Thunder Bay Ont. | This week | In-store | (8) 188.50 | N/A | (8) 186.50 | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | (8) 190.00 | N/A | (8) 188.00 | | | | | | | | | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | 160.38 | 160.38 | | | | | | | | | | | | | | | | | | |
| | Week ago | Vessel | | | | 168.43 | 168.43 | | | | | | | | | | | | | | | | | | |
| Bay Ports Ont. | This week | In-store | 219.00 | 330.00 | N/A | | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 214.00 | 330.00 | N/A | | | | | | | | | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | 166.72 | 166.72 | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 168.40 | 168.40 | | | | | | | | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | FOB | 302.14 | N/A | | | | | | | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | FOB | 302.80 | N/A | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 168.50 | 168.50 | | | | | | | | | | | | | | | | | | |
| | Week ago | | | | | 167.50 | 167.50 | | | | | | | | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | 470.00 | 153.00 | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | 455.00 | 148.00 | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | 124.00 | | | | 470.00 | | | | | | | | | | | |
| | Week ago | | | | | | | | | 123.50 | | | | 455.00 | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | 470.00 | 153.00 | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | 455.00 | 148.00 | | | | | | | | | | |
| Montreal Que. | This week | | | | | | FOB | 322.38 | 246.47 | 145.17 | 265.00 | (5) 850.00 | 441.00 | 480.00 | 163.00 | 268.00 | 370.00 | | | | | | | | |
| | Week ago | | | | | | | 323.73 | 248.23 | 145.00 | 265.00 | (5) 850.00 | 419.00 | 465.00 | 158.00 | 268.00 | 370.00 | | | | | | | | |
| Trois Riv. Que. | This week | In-store | 225.50 | | N/A | 179.71 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 227.00 | | N/A | 183.75 | | | | | | | | | | | | | | | | | | | |
| St-Jean, Que. St-Hyacinthe, Que. | This week | FOB | 195.50 | 208.75 | 165.23 | (2) 169.77 | | | | | | | | | | | | | | | | | | | |
| | Week ago | | 192.67 | 210.00 | 166.50 | (2) 171.55 | | | | | | | | | | | | | | | | | | | |
| Quebec Que. | This week | In-store | 222.75 | | 228.10 | 183.36 | FOB | 322.50 | | | | | | | | | | | | | | | | | |
| | Week ago | | 220.00 | | 224.50 | 185.40 | | 325.20 | | | | | | | | | | | | | | | | | |
| Truro N.S. | This week | Track | 252.40 | N/A | 252.47 | 208.89 | FOB | 347.89 | 260.75 | | 301.00 | | 445.00 | | | | 370.00 | | | | | | | | |
| | Week ago | | 250.92 | N/A | 250.27 | 207.22 | | 347.22 | 250.28 | | 301.00 | | 445.00 | | | | 370.00 | | | | | | | | |
| Truro N.S. | This week | Water | 257.70 | N/A | N/A | 207.75 | | | | | | | | | | | | | | | | | | | |
| | Week ago | & Truck | 256.00 | N/A | N/A | 209.25 | | | | | | | | | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | 248.70 | N/A | N/A | 198.75 | FOB | | | | | (6) 950.00 | | | | | | | | | | | | | |
| | Week ago | | 247.00 | N/A | N/A | 200.25 | | | | | | (6) 950.00 | | | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Helene Menard
Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat. No. 1 Feed Oats, No. 1 or 2 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Meal 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Futures WCE (9) 3CW

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday December 2, 2002

PRAIRIE GRAINS

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-----------------------------|---------------------------------|---------------|---------------|---------------|----------|---------------|---------------|
| From: Thunder Bay 2 | In-Store | WHEAT | 188.50 | 190.00 | | 201.00 | 164.50 |
| CBOT | | OATS | N/A | N/A | | N/A | 247.40 |
| LETHBRIDGE | | BARLEY | 186.50 | 188.00 | | 194.70 | 161.80 |
| To: Bayports, Ont. | In-store | WHEAT | 212.11 | 213.61 | 1 | 224.61 | 187.60 |
| | | OATS | N/A | N/A | 1 | N/A | N/A |
| | | BARLEY | 213.89 | 215.39 | 1 | 222.09 | 188.95 |
| Montreal, Que. | In-store | WHEAT | 216.53 | 218.03 | 1 | 229.03 | 192.35 |
| | | OATS | N/A | N/A | 1 | N/A | N/A |
| | | BARLEY | 218.81 | 220.31 | 1 | 227.01 | 194.07 |
| Moncton, N.B. | Truck via Halifax | WHEAT | 238.75 | 240.25 | | 251.25 | 214.82 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 243.00 | 244.50 | | 251.20 | 220.43 |
| Truro, N.S. | Truck via Halifax | WHEAT | 232.72 | 234.22 | | 245.22 | 212.32 |
| | | OATS | N/A | N/A | | N/A | N/A |
| | | BARLEY | 240.50 | 242.00 | | 248.70 | 215.55 |
| Halifax, N.S. | In-store | WHEAT | 223.78 | 225.28 | 1 | 236.28 | 199.65 |
| | | OATS | N/A | N/A | 1 | N/A | N/A |
| | | BARLEY | 226.80 | 228.30 | 1 | 235.00 | 201.87 |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | 287.13 | 288.63 | | 299.63 | 259.43 |
| | | OATS | N/A | N/A | | N/A | 353.60 |
| | | BARLEY | N/A | N/A | | N/A | 268.94 |
| From: Melfort, Sask. | FOB | WHEAT | N/A | N/A | | N/A | 155.50 |
| | | OATS | N/A | N/A | | N/A | 229.25 |
| | | BARLEY | N/A | N/A | | N/A | 151.70 |
| To: Bayports, Ont. | Track | WHEAT | N/A | N/A | | N/A | 204.65 |
| | | OATS | N/A | N/A | | N/A | 286.14 |
| | | BARLEY | N/A | N/A | | N/A | 201.40 |
| Montreal, Que. | Track | WHEAT | N/A | N/A | | N/A | 205.41 |
| | | OATS | N/A | N/A | | N/A | 289.86 |
| | | BARLEY | N/A | N/A | | N/A | 202.22 |
| Moncton, N.B. | Track | WHEAT | N/A | N/A | | N/A | 233.69 |
| | | OATS | N/A | N/A | | N/A | 314.14 |
| | | BARLEY | N/A | N/A | | N/A | N/A |
| Truro, N.S. | Track | WHEAT | N/A | N/A | | N/A | 231.88 |
| | | OATS | N/A | N/A | | N/A | 315.15 |
| | | BARLEY | N/A | N/A | | N/A | N/A |
| Stephenville, Nfld. | Track / Truck via Sydney | WHEAT | N/A | N/A | | N/A | 278.94 |
| | | OATS | N/A | N/A | | N/A | 364.43 |
| | | BARLEY | N/A | N/A | | N/A | N/A |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|-------------------------------------|------------------------|--|---------------|---------------|----------|---------------|---------------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 160.38 | 168.43 | | 165.87 | 133.35 |
| To: Montreal, Que. (US Corn) | In-store | | 179.42 | 187.47 | 1 | 184.91 | 152.25 |
| From: Chicago (Mi) | Track | | 154.84 | 160.97 | | 156.67 | 132.11 |
| To: Montreal, Que. (US Corn) | Track | | 183.70 | 189.83 | | 185.53 | 161.14 |
| From: Chatham | Track | | 166.72 | 168.40 | | 168.30 | 146.65 |
| To: Montreal, Que. | Track | | 190.52 | 192.20 | | 192.10 | 170.03 |

SOYMEAL 48 PERCENT PROTEIN

| | | | | | | | |
|-----------------------------|---------------------------------|--|---------------|---------------|--|---------------|---------------|
| From: Hamilton, Ont. | | | 302.14 | 302.80 | | 305.78 | 301.70 |
| To: Montreal, Que. | Track | | 326.47 | 327.13 | | 330.11 | 326.12 |
| Moncton, N.B. | Track | | 345.22 | 345.88 | | 348.86 | 349.33 |
| Truro, N.S. | Track | | 348.44 | 349.10 | | 352.08 | 348.16 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 397.07 | 397.73 | | 400.71 | 396.96 |

1. Prices include ONE month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Bi-weekly Bulletin

December 20, 2002 Volume 15 Number 23

OATS: SITUATION AND OUTLOOK

The Canadian oat market has changed considerably over the past decade, as production has shifted to the eastern prairies of western Canada from the western prairies and processing has expanded considerably. In addition, oats have become increasingly important as greenfeed. The 2002-2003 drought reduced production sharply and adverse harvest conditions reduced the quality of the crop. Oat prices are expected to remain strong throughout 2002-2003. Assuming a return to normal growing conditions for 2003-2004, oat production and exports in Canada are expected to increase significantly and return Canada to its dominant position in the world export market for oats. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for oats.

WORLD PRODUCTION AND TRADE

The European Union (EU), Russia, Canada, and the United States (US) produce the majority of the world's oats, and total world production is estimated at 26 million tonnes (Mt) for 2002-2003. Although Russia is a very large producing country, its oats are generally consumed domestically, or are of low quality, and, as a result, it is not an important player in the world oat export market.

Canada is typically the world's largest exporter, usually representing 50-70% of world trade, with world trade averaging about 2 Mt over the past five years. The EU usually holds 20-30% of world trade, with Sweden and Finland being the main exporting countries within the EU. Oats are typically

exported from these European countries to horse feed markets in the southern US, with some sales also made into US milling markets. Australia is the only other significant player in the oat export market, making up 5-10% of world trade. The US accounts for about 80% of the world's imports, while Japan, Mexico, and the EU assume most of the remainder.

IMPORTERS

United States

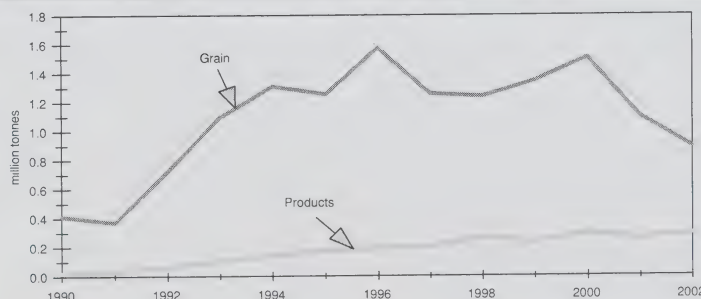
US oat production has decreased for several decades. The use of oats for horse feed has fallen, food demand has not increased significantly, and the economics of producing other crops have been more attractive. Oats have been disadvantaged by US farm policy, as other crops receive higher support. Also,

millers have exhibited a preference for Canadian oats over US oats. The Canadian climate produces oats with thinner hulls, which yield more output in the milling process.

The US is the world's largest oat importing market, with most Canadian exports being shipped to the US for milling use. Minneapolis is the main pricing point for milling oats, with several major mills located in the area. Minnesota accounts for about 25% of Canadian oat exports, with other significant importing states including Iowa, Wisconsin, and Ohio, accounting for about 20%, 15%, and 10%, respectively. As US oat production has declined, imports from Canada and the EU have increased significantly. Oat imports rose steadily over the 1980-1995 period, but levelled off in recent years as they filled most US commercial markets. Imports of raw oats for milling purposes are unlikely to increase further in the near future because significant growth in food use is not expected. Food use of oats has essentially been flat for the past decade, actually peaking in the late 1980s. US imports of Canadian oat products have increased steadily over the past decade.

For 2002-2003, US oat supplies have continued their long-term declining trend, with production remaining near the historical low despite a 14% increase in area seeded. Hot and dry conditions in the US negatively affected production in the important oat producing state of North Dakota, and caused yields to decline by 7% from 2001-2002. US imports are forecast to remain similar to last

CANADA: OATS EXPORTS



Source: Statistics Canada

year, although a relatively high percentage of imports are expected to be made up of imports from the EU as a result of the tight Canadian supplies. Since 1995-1996, the EU has not made up more than 35% of US oat imports but in 2002-2003 the EU expected to make up about 50% of US imports.

EXPORTERS

European Union

The EU is generally the world's second largest oat exporting region behind Canada. Subsidies by the EU have pressured world prices of oats over the past decade, with export subsidies of US\$60/t being observed as recently as 1999-2000. EU export subsidies on oats have fallen since then for a few reasons. High US prices have helped the EU to be competitive in US markets without subsidies, and the EU has been attempting to reduce its subsidies as it prepares to add eastern European countries to the European economic union. International trade agreements may also have been considered in recent EU export programs, as the EU has had to limit its subsidies on coarse grains to 10.8 Mt under *Agenda 2000*.

The EU had an excellent crop in 2002-2003, with production reaching its highest level since 1991-1992. Quality has generally been good, and the EU is forecast to have its largest export program in modern times. EU oat exports are expected to double from 2001-2002, to 1.2 Mt, based on increased EU production and ample export opportunities given the reduced Canadian and US supplies. The higher production and exports from that region will prevent US oat prices from trading at as large a premium to corn in 2002-2003 as they did in 2001-2002, although the premium will remain historically high.

The EU does not intend to use export subsidies for 2002-2003. In 2002-2003, with the strong North American oat prices and the large EU oat production, the EU has been able to compete in North American markets without offering export subsidies. In the recent past, the EU has exported oats primarily into southern US markets for use as premium horse feed. However, in 2002-2003, the EU has been able to offer very competitive prices, with industry sources indicating that EU oats are being imported into markets in the northern US, which have traditionally been

average yields and reasonably good quality were recorded.

Seeded area increased in Canada by 26% in response to high prices in 2001-2002 and the lowest carry-out stocks of modern times. A high percentage of the crop was not harvested for grain, as the poor crops and the shortage of feed, in drought affected areas, caused many farmers to harvest the crop for greenfeed, while others were unable to harvest the crop due to difficult harvest weather. Canadian oat production was estimated by Statistics Canada at 2.7 Mt in December. Based on this production estimate, supplies are quite low at 3.1 Mt, down from 3.6 Mt in 2001-2002 when prices jumped sharply relative to other coarse grains.

However, much of the decline in production occurred in Alberta, which is not a large milling and exporting province (much of Alberta's oat area is now used for forage rather than for grain). Conversely, Manitoba production is considerably higher in 2002-2003. Saskatchewan production is very questionable both in terms of quantity and quality, and this province is a large exporting province. Saskatchewan Agriculture, Food and Rural Revitalization reports that 30% of production is expected to grade No.4 Canada Western, which is not suitable for milling. Only 31% of oat production is in the top two grades which are the main milling grades. About 39% of oats are reported to be No.3 Canada Western, and could also be used for milling.

Canadian exports, including products, are forecast to decline by about 0.2 Mt, to 1.25 Mt, which will be well below the five-year average of 1.5 Mt. Competition for the US market by the EU has increased. If the pace of EU exports continues, then Canadian exports may be even lower than currently forecast. Feed use is forecast to decline as a result of the lower supplies, and carry-out stocks are projected to fall below the level observed in 2001-2002.

Imports of oats into Canada are a possibility, and they might be used for either feed or milling purposes. About 34,000 t of feed quality oats were imported into Canada from Ukraine in 2001-2002, and imports of feed oats from the Baltic Sea region could happen again in 2002-2003 since prices of feedgrain in Canada are very high relative to prices in eastern Europe. With respect to milling oats, EU oats may periodically be attractive for Canadian oat millers given the tight supplies of milling oats in Canada. This is unlikely to occur, at least not in large quantities, given the high transportation costs associated with shipping oats to prairie mills.

CANADA: OATS SUPPLY AND DISPOSITION

| | 2000 -2001 | 2001 -2002 | 2002 -2003 ¹ |
|----------------------------|---------------|---------------|----------------------------|
| Seeded Area (000 ha) | 1,820 | 1,907 | 2,399 |
| Harvested Area (000 ha) | 1,299 | 1,238 | 1,298 |
| Yield (t/ha) | 2.61 | 2.17 | 2.12 |
|thousand tonnes..... | | | |
| Carry-in Stocks | 1,122 | 854 | 365 |
| Production: | | | |
| Manitoba | 1,016 | 748 | 1,018 |
| Saskatchewan | 1,377 | 961 | 972 |
| Alberta | 657 | 592 | 285 |
| Other | 339 | 390 | 473 |
| Total Production | 3,389 | 2,691 | 2,748 |
| Imports | 8 | 53 | 15 |
| Total Supplies | 4,519 | 3,598 | 3,128 |
| FSI ¹ | 268 | 328 | 360 |
| FWD ² | 1,632 | 1,467 | 1,160 |
| Loss in Handling | 5 | 9 | 8 |
| Total Domestic Use | 1,905 | 1,804 | 1,528 |
| Exports: | | | |
| Grain | 1,461 | 1,069 | 890 |
| Products | 299 | 360 | 360 |
| Total Exports | 1,760 | 1,429 | 1,250 |
| Carry-out Stocks | 854 | 365 | 350 |
| Average Price ³ | 114.49 | 202.28 | 190-220 |

¹ Food, Seed, and Industrial Use

² Feed, Waste, and Dockage

³ Nearby Chicago Futures Contract

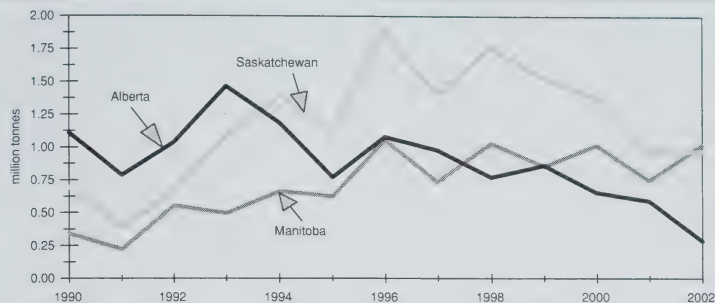
f: forecast, AAFC, December 2002

Source: Statistics Canada

Canada

A host of adverse conditions played havoc with grain production in Saskatchewan and Alberta during the growing season of 2002-2003. Slow development in the spring, extreme drought during the summer, legions of grasshoppers, frost in August, late season rains resulting in secondary growth and a delayed harvest, and rain and snow during harvest all combined to make the season one that many farmers will want to forget. However, these problems did not affect all oat producing regions. In fact, in Manitoba, which produced about 45% of the oats in western Canada, conditions were generally favourable as adequate precipitation was received, and above

WESTERN CANADA: OATS PRODUCTION BY PROVINCE



Source: Statistics Canada

PRICES

The size and quality of the Canadian oat crop largely determines the relationship of oat prices to other coarse grain prices. US corn prices underlie all world coarse grain prices, including oats. In most years, when ample supplies of oats are available in Canada, the US, and the EU, oats are priced at a discount to corn and barley on a per tonne basis, as oats generally have a lower nutrient value in feed rations. The premium for milling oats relative to feed oats is low when ample supplies of oats are available, since the inelastic milling demand for oats can easily be

met by the large supplies. In years when the supply of milling quality oats is low, prices for milling oats can rise dramatically relative to feed oats, barley, and corn. The milling industry bids up milling oat prices sharply, relative to feed prices, in an attempt to source high quality oats since there are no alternatives which can be used as substitutes.

For 2002-2003, the price of oats has been supported by the shortage of barley. Barley, the main feed ingredient in western Canada, is normally priced on an export basis. However, in 2002-2003 the shortage of barley in western Canada means that it is priced competitively

with the landed cost of imported US corn. Due to the shortage of barley, feed barley prices are much higher than they would be otherwise (perhaps \$30/t or more depending on location, based on Pacific Northwest export prices for barley). As a result, feed oats, which are priced competitively with feed barley, are priced much higher than they would be in other years. This, in turn, supports milling oat prices, with milling oats priced at a substantial premium to feed oats. The relatively tight supplies of milling oats due to low production, record low carry-in stocks, and below normal quality ensures that there is a significant premium for milling oats over feed oats and further supports oat prices.

For 2002-2003, oat prices are expected to remain strong until increased production forecasts for 2003-2004 become more certain, late in the spring of 2003. Chicago oat futures are forecast by Agriculture and Agri-Food Canada (AAFC) to average US\$1.90-2.20 per bushel (/bu) for the 2002-2003 crop year, or about CAN\$190-220/t, based on current exchange rates. With the tight supplies of milling quality oats in western Canada, there is some potential for Chicago oat prices to increase to US\$2.25/bu, as seen at times during 2001-2002, if end-users are caught uncovered. However, the increase in supplies of oats in Manitoba of about 0.2 Mt and the large export program being undertaken by the EU make the chances of that somewhat

DEVELOPMENTS AFFECTING THE CANADIAN OAT MARKET

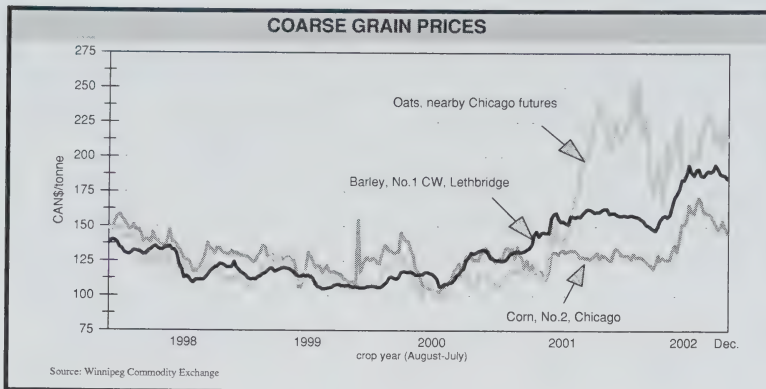
Elimination of tariffs on oat products through *The Canada-US Free Trade Agreement* and *The North American Free Trade Agreement* was one of the factors that encouraged domestic processing of oats. Tariffs on oat products were about \$18 per tonne (/t) in 1988, and these gradually fell to zero as the agreement was implemented. The removal of tariffs on oat products increased the attractiveness of Canadian oat products to US buyers.

The removal in 1995 of domestic transportation subsidies formerly provided under the *Western Grain Transportation Act* (WGTA) had a significant impact on Canadian oat markets, as transportation costs to export positions increased markedly. For instance, the cost of shipping oats from the Peace River region (Alberta), a significant oat producing region, to Thunder Bay (Ontario), increased from \$20/t in 1994-1995 to about \$43/t in 1995-1996. The cost has increased marginally since that time to about \$45/t in 2002-2003. A dramatic shift in the location of oat production in Canada occurred as a result of the increased transportation costs. At the beginning of the 1990s, Alberta was the largest oat producing province in Canada, producing 1.1 Mt of oats and exporting about 245,000 tonnes (t) compared with 0.3 Mt of production and 0.05 Mt of exports for Manitoba. Oat production shifted east into Manitoba and Saskatchewan with the removal of the transportation subsidy, as transportation costs to important US markets were lower from that region. For 2002-2003, Manitoba produced 1.0 Mt and is forecast to export about 0.7 Mt of oats in raw and processed forms, making it the largest oat exporting province for the first time in recent history. Exports from Alberta are expected to be about 0.05 Mt.

The elimination of the transportation subsidy also increased the incentive to process oats domestically. The oat hull accounts for about 35-40% of the oat's volume but it has relatively little commercial value. During the milling process the hull is removed to extract the oat groat, which is the valuable part of the oat that is used for human consumption. By removing the hull, transportation costs are reduced substantially, with the oat groat being a much denser product than raw oats. Canada's exports of oat products have grown remarkably, from about 12,000 t in 1990-1991, to about 360,000 t in 2001-2002.

Another factor affecting the Canadian oat market is the expansion of the livestock industry in western Canada. This is likely linked to some of the above factors, the removal of the WGTA in particular, and it has helped to encourage the use of oats for greenfeed and silage, rather than for grain. This has been very evident in Alberta, where only about 20% of oats were harvested for grain in 2002-2003, compared with about 70% in 1990. A substantial amount of the decline is directly attributable to the drought of 2002-2003, however, a clear decline in the percentage of harvested area has been observed in Alberta since the elimination of the grain transportation subsidy. Increased use of oats for greenfeed has also been observed in Saskatchewan but to a lesser extent.

Prior to the 1989-1990 crop year, exports of oats were under the monopoly of the Canadian Wheat Board (CWB). However, the CWB's mandate for oats was removed on August 1, 1989 by the federal government, and its impact has been widely studied with various results.



unlikely. End-users in the US did not have the option of large EU supplies available to them last year which contributed to the very high prices observed at that time and to the large premium for oats relative to corn. Oats are expected to be priced at a premium to corn on a per tonne basis again in 2002-2003, but the premium is forecast to be lower than in 2001-2002.

MEDIUM-TERM OUTLOOK

Forecasts for 2003-2004 are highly uncertain at this time considering weather related risk, the amount of time between now and the start of the 2003-2004 harvest, and the unpredictability of policy and market factors. However, for 2003-2004, area seeded to oats is forecast by AAFC to increase, especially in Saskatchewan, as high prices for raw oats and greenfeed in 2002-2003 are both supportive of increased area. The shortage of hay in 2002-2003 is expected to be an important factor in planting considerations, as farmers are projected to try to rebuild their supplies of hay and reduce pressure on pasture. In the US, the *Farm Security and Rural Investment Act* (FSRIA) is not expected to have a significant impact on area seeded to oats, as strong prices are expected to encourage farmers to react to market signals rather than to the parameters of the FSRIA program. US oat production and imports are forecast to be similar to 2002-2003. In the EU, production is forecast to be similar to 2002-2003.

Prices are forecast to be considerably lower for the 2003-2004 crop year as a result of increased supplies of feedgrain in western Canada. Oat prices are also likely to be pressured in 2003-2004 by lower prices for US corn and western Canadian feed barley, assuming normal weather conditions in North

America results in increased yields and an easing of the tightness in world coarse grain supplies. US corn prices are forecast to decrease by 5-10% due to higher corn production in the US.

Based on long-term price patterns and assuming normal yields, Chicago nearby oat futures prices are expected to range between US\$1.20-1.60/bu, with an average of about US\$1.40/bu. In other words, farm prices are forecast to fall by about a dollar (Canadian) per bushel from 2002-2003 prices, and they are expected to be priced competitively with corn and feed barley. Price declines may be even larger in some parts of the prairies, such as Alberta, where the drought of 2002 has driven oat prices sharply above long-term price levels.

The EU might consider export subsidies in 2003-2004, depending on the price relationships between the EU and US markets, and political considerations such as the upcoming expansion of the EU-15 to the EU-25.

Over the medium-term, in 2004-2005 and beyond, oat production in Manitoba will likely continue to benefit from lower transportation rates relative to Alberta and western Saskatchewan. Similarly, Canadian oat processing and exports of oat products are forecast to continue to expand to take advantage of the lower transportation cost of shipping processed oats. Area seeded area to oats in Alberta and western Saskatchewan may also expand, however, the growth of oat production in those provinces will most likely be driven by demand for greenfeed rather than from the milling industry.

Fusarium head blight (FHB) is starting to become a problem for oats, especially in Manitoba, and there is some concern that it could become a major disease in the medium-term. There are currently no oat varieties with FHB resistance, and research into the problem is continuing.

Total imports by the US are not expected to grow significantly in the medium-term. Program parameters for oats under the FSRIA have not changed significantly from the previous US farm bill, so it is not expected to result in major changes in US oat production.

The EU is expected to remain an important competitor in US markets. The expansion of the EU to eastern European countries will be a factor to watch as these countries have the potential to increase EU oat production considerably, which could have implications for world oat markets.

For more information, please contact:

Dennis Jackson,
A/Coarse Grains Analyst
Phone: (204) 983-8461
E-mail: jacksond@agr.gc.ca

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500-303 Main Street
Winnipeg, Manitoba, Canada R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

Director: Maggie Liu
Chief: Fred Oleson

Editor: Gordon MacMichael

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A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

| SELECTED POINT | REFERENCE PERIOD | PRICE BASIS | WHEAT | OATS | BARLEY | CORN | PRICE BASIS | SOYBEAN MEAL 48% | CANOLA MEAL | MILL FEEDS | MEAT MEAL | FISH MEAL | ANIMAL FAT | GLUTEN MEAL | FEED PEAS | DEHY ALFALFA | FEATHER MEAL |
|--------------------|------------------|---------------|-----------|-----------|------------|------------|-------------|------------------|-------------|------------|-----------|------------|------------|-------------|-----------|--------------|--------------|
| | | | | | | | | | | | | | | | | | |
| Vancouver B.C. | This week | FOB | 233.16 | N/A | 211.16 | 193.00 | | 328.50 | (7) 247.00 | 185.00 | 320.00 | (4) 900.00 | 550.00 | | | | |
| | Week ago | | 233.16 | N/A | 211.16 | 192.00 | | 320.25 | (7) 234.50 | 185.00 | 315.00 | (4) 900.00 | 540.00 | | | | 430.00 |
| Calgary Alta | This week | FOB | 210.00 | N/A | 188.00 | 181.00 | | 318.00 | N/A | | 280.00 | (4) 950.00 | 585.00 | | | | 430.00 |
| | Week ago | | 210.00 | N/A | 188.00 | 182.00 | | 315.00 | N/A | | 275.00 | (4) 950.00 | 575.00 | | | | 430.00 |
| Saskatoon Sask. | This week | FOB | 186.75 | 232.50 | 175.50 | 178.00 | | 310.50 | 240.00 | | 280.00 | (4) N/A | 585.00 | | 191.67 | | 460.00 |
| | Week ago | | 184.25 | 222.50 | 175.50 | 176.00 | | 308.00 | 230.00 | | 275.00 | (4) N/A | 575.00 | | 196.67 | | 460.00 |
| Melfort Sask. | This week | FOB | N/A | N/A | N/A | | | | | | | | | | | | |
| | Week ago | | N/A | N/A | N/A | | | | | | | | | | | | |
| Winnipeg Man. | This week | FOB | 183.50 | (9)215.00 | 179.50 | 163.00 | | 294.00 | 230.00 | | 295.00 | (4) 925.00 | 480.00 | | | | 450.00 |
| | Week ago | | 184.50 | (9)215.00 | 180.00 | 165.00 | | 291.50 | 220.00 | | 295.00 | (4) 912.50 | 480.00 | | | | 450.00 |
| Thunder Bay Ont. | This week | In-store | (8)202.30 | N/A | (8) 184.00 | | | | | | | | | | | | |
| | Week ago | | (8)195.70 | N/A | (8) 183.70 | | | | | | | | | | | | |
| Lake Ports USA | This week | On Board | | | | 159.08 | | | | | | | | | | | |
| | Week ago | | | | | 157.95 | | | | | | | | | | | |
| Bay Ports Ont. | This week | Vessel | 224.30 | 320.00 | N/A | | | | | | | | | | | | |
| | Week ago | | 217.70 | 330.00 | N/A | | | | | | | | | | | | |
| Chatham Ont. | This week | Track | | | | 166.53 | | | | | | | | | | | |
| | Week ago | | | | | 165.44 | | | | | | | | | | | |
| Toronto Ont. | This week | N/A | | | | | FOB | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Hamilton Ont. | This week | N/A | | | | | FOB | 296.96 | N/A | | | | | | | | |
| | Week ago | | | | | | | 298.28 | N/A | | | | | | | | |
| Eastern Ontario | This week | FOB | | | | 166.69 | | | | | | | | | | | |
| | Week ago | | | | | 168.00 | | | | | | | | | | | |
| London Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Port Colborne Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Cardinal Ont. | This week | FOB | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Montreal Que. | This week | | | | | | | | | | | | | | | | |
| | Week ago | | | | | | | | | | | | | | | | |
| Trois-Riv. Que. | This week | In-store | 237.30 | | N/A | 177.16 | | | | | | | | | | | |
| | Week ago | | 230.70 | | N/A | 176.07 | | | | | | | | | | | |
| St-Jean, Que. | This week | FOB | 196.43 | 216.25 | 164.75 | (2) 170.07 | | | | | | | | | | | |
| | Week ago | | 191.90 | 208.75 | 162.15 | (2) 169.38 | | | | | | | | | | | |
| St-Hyacinthe, Que. | This week | In-store | 228.90 | | 222.75 | 180.74 | FOB | 320.07 | | | | | | | | | |
| | Week ago | | 213.60 | | 219.05 | 179.00 | | 316.98 | | | | | | | | | |
| Quebec Que. | This week | Track | 254.47 | N/A | 245.47 | 207.77 | FOB | 342.87 | 263.95 | | | | | | | | |
| | Week ago | | 251.10 | N/A | 246.02 | 208.31 | | 346.34 | 260.75 | | | | | | | | |
| Truro N.S. | This week | N/A | 205.50 | | | | | | | | | | | | | | |
| | Week ago | | 205.50 | | | | | | | | | | | | | | |
| Truro N.S. | This week | Water & Truck | 255.85 | N/A | N/A | 205.80 | | | | | | | | | | | |
| | Week ago | | 254.30 | N/A | N/A | 205.80 | | | | | | | | | | | |
| Halifax N.S. | This week | In-store | 246.85 | N/A | N/A | 196.50 | FOB | | | | | | | | | | |
| | Week ago | | 245.30 | N/A | N/A | 196.80 | | | | | | | | | | | |

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard
Thunder Bay prices are based on the Winnipeg Commodities Exchange market close
 Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 or 2 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 38%. Gluten Feed 21% Protein. Gluten Meal 60% Protein. Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Futures WCE (9) 3CW

(1) Wheat 3CWR5 (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Futures WCE (9) 3CW

| B. CASH PRICES AND REPLACEMENT VALUES | | | | As of Monday December 16, 2002 | | | | | | | |
|---------------------------------------|---------------------|---|--------------------------|--------------------------------|--------|--|-----------|----------|--|-----------|----------|
| PRAIRIE GRAINS | | | | | | | | | | | |
| SELECTED POINT | | | PRICE BASIS | | | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
| From: | Thunder Bay | 2 | In-Store | WHEAT | 202.30 | | 195.70 | | | 194.50 | 173.50 |
| | CBOT | | | OATS | N/A | | N/A | | | N/A | 252.29 |
| | LETHBRIDGE | | | BARLEY | 184.00 | | 183.70 | | | 187.00 | 163.00 |
| To: | Bayports, Ont. | | In-store | WHEAT | 225.91 | | 219.31 | 1. | | 218.11 | 196.60 |
| | | | | OATS | N/A | | N/A | 1. | | N/A | N/A |
| | | | | BARLEY | 211.39 | | 211.09 | 1. | | 214.39 | 190.15 |
| | Montreal, Que. | | In-store | WHEAT | 230.33 | | 223.73 | 1. | | 222.53 | 201.35 |
| | | | | OATS | N/A | | N/A | 1. | | N/A | N/A |
| | | | | BARLEY | 216.31 | | 216.01 | 1. | | 219.31 | 195.27 |
| | Moncton, N.B | | Truck via Halifax | WHEAT | 252.55 | | 245.95 | | | 244.75 | 223.82 |
| | | | | OATS | N/A | | N/A | | | N/A | N/A |
| | | | | BARLEY | 240.50 | | 240.20 | | | 243.50 | 221.63 |
| | Truro, N.S. | | Truck via Halifax | WHEAT | 246.52 | | 239.92 | | | 238.72 | 221.32 |
| | | | | OATS | N/A | | N/A | | | N/A | N/A |
| | | | | BARLEY | 238.00 | | 237.70 | | | 241.00 | 216.75 |
| | Halifax, N.S. | | In-store | WHEAT | 237.58 | | 230.98 | 1. | | 229.78 | 208.65 |
| | | | | OATS | N/A | | N/A | 1.0 | | N/A | N/A |
| | | | | BARLEY | 224.30 | | 224.00 | 1.0 | | 227.30 | 203.07 |
| | Stephenville, Nfld. | | Track / Truck via Sydney | WHEAT | 300.93 | | 294.33 | | | 293.13 | 268.43 |
| | | | | OATS | N/A | | N/A | | | N/A | 358.49 |
| | | | | BARLEY | N/A | | N/A | | | N/A | 270.14 |
| From: | Melfort, Sask. | | FOB | WHEAT | N/A | | N/A | | | N/A | 163.50 |
| | | | | OATS | N/A | | N/A | | | N/A | 233.68 |
| | | | | BARLEY | N/A | | N/A | | | N/A | 153.80 |
| To: | Bayports, Ont. | | Track | WHEAT | N/A | | N/A | | | N/A | 212.65 |
| | | | | OATS | N/A | | N/A | | | N/A | 290.57 |
| | | | | BARLEY | N/A | | N/A | | | N/A | 203.50 |
| | Montreal, Que. | | Track | WHEAT | N/A | | N/A | | | N/A | 213.41 |
| | | | | OATS | N/A | | N/A | | | N/A | 294.29 |
| | | | | BARLEY | N/A | | N/A | | | N/A | 204.32 |
| | Moncton, N.B. | | Track | WHEAT | N/A | | N/A | | | N/A | 241.69 |
| | | | | OATS | N/A | | N/A | | | N/A | 318.57 |
| | | | | BARLEY | N/A | | N/A | | | N/A | N/A |
| | Truro, N.S. | | Track | WHEAT | N/A | | N/A | | | N/A | 239.88 |
| | | | | OATS | N/A | | N/A | | | N/A | 319.58 |
| | | | | BARLEY | N/A | | N/A | | | N/A | N/A |
| | Stephenville, Nfld | | Track / Truck via Sydney | WHEAT | N/A | | N/A | | | N/A | 286.94 |
| | | | | OATS | N/A | | N/A | | | N/A | 368.86 |
| | | | | BARLEY | N/A | | N/A | | | N/A | N/A |

| SELECTED POINT | PRICE BASIS | | THIS WEEK | WEEK AGO | | MONTH AGO | YEAR AGO |
|------------------------------|-----------------|--|-----------|----------|-----|-----------|----------|
| CORN | | | | | | | |
| From: US Lake Ports | On Board Vessel | | 159.08 | 157.95 | | 165.59 | 131.55 |
| To: Montreal, Que. (US Corn) | In-store | | 178.12 | 176.99 | 1.0 | 184.63 | 150.45 |
| From: Chicago (Mi) | Track | | 153.55 | 152.40 | | 157.50 | 131.55 |
| To: Montreal, Que. (US Corn) | Track | | 182.41 | 181.26 | | 186.36 | 160.58 |
| From: Chatham | Track | | 166.53 | 165.44 | | 166.13 | 143.99 |
| To: Montreal, Que. | Track | | 190.33 | 189.24 | | 189.93 | 167.37 |

| | | | | | | | |
|----------------------------|--------------------------|--|--------|--------|--|--------|--------|
| SOYMEAL 48 PERCENT PROTEIN | | | | | | | |
| From: Hamilton, Ont. | | | 296.96 | 298.28 | | 298.06 | 288.91 |
| To: Montreal, Que. | Track | | 321.29 | 322.61 | | 322.39 | 313.33 |
| Moncton, N.B. | Track | | 340.04 | 341.36 | | 341.14 | 336.54 |
| Truro, N.S. | Track | | 343.26 | 344.58 | | 344.36 | 335.37 |
| Stephenville, Nfld. | Track / Truck via Sydney | | 391.89 | 393.21 | | 392.99 | 384.17 |

1. Prices include ONE month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

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to receive back issues:

CONTACT

Market Analysis Division, 500-303 Main Street,
Winnipeg, Manitoba, CANADA R3C 3G7
Telephone: (204) 983-8473
Fax: (204) 983-5524

VISIT

Market Analysis Division Online
www.agr.gc.ca/mad-dam/

Market Analysis Division

Marketing Policy Directorate, Strategic Policy Branch, Agriculture and Agri-Food Canada
500-303 Main Street, Winnipeg, Manitoba, CANADA R3C 3G7
Phone (204) 983-8471 Fax: (204) 983-5524

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The Market Analysis Division provides timely market information, analysis and forecasting of supply, demand, trade and prices for the domestic and international grains, oilseeds, pulse and special crops sectors to industry and governments.

The Division is responsible for the following; recommendations of initial and adjustment payments for the Canadian Wheat Board (CWB) under the CWB Act and other organizations under the Agricultural Marketing Programs Act (AMPA); recommendations of advance payments for the Spring Credit Advance Program and fall advance payment program under AMPA for the CWB and other organizations; price forecasts for crop insurance programs in consultation with the provinces; forecasts of price and marketing for grains, oilseeds and pulse and special crops for farm income, price forecasts for interim payout, determination of final market prices, and calculation of Indexed Moving Average Price for the Ontario Market Revenue Insurance Plan in consultation with the Ontario Ministry of Agriculture, Food and Rural Affairs; and export projections to the United States (U.S.) for the Canada/U.S. Quarterly Grain Trade Consultations.

| | | |
|---|---|----------------|
| Maggie Liu | Director email: lium@agr.gc.ca | (204) 983-8468 |
| Fred Oleson | Chief, Market Analysis email: olesonf@agr.gc.ca | (204) 983-0807 |
| Gordon MacMichael | Senior Market Analyst / Editor: Bi-weekly Bulletin email: macmichaelg@agr.gc.ca | (204) 983-8462 |
| Glenn Lennox | Wheat Analyst email: lennoxg@agr.gc.ca | (204) 983-8465 |
| Dennis Jackson | A/Coarse Grains Analyst email: jacksond@agr.gc.ca | (204) 983-8461 |
| Stan Spak | A/Oilseeds Analyst email: spaks@agr.gc.ca | (204) 983-8467 |
| Stan Skrypetz | Pulses and Special Crops Analyst email: skrypetzs@agr.gc.ca | (204) 983-8972 |
| Bobby Morgan | Market Analyst email: morganb@agr.gc.ca | (204) 984-0680 |
| Sergio Novelli | Market Analyst email: novellis@agr.gc.ca | (204) 983-6865 |
| Vera Wiebe | Clerk email: wiebev@agr.gc.ca | (204) 984-0976 |
| Huguette Bohémier | Secretary email: bohemierh@agr.gc.ca | (204) 983-8471 |
| Doris Pelletier | A/Statistical Clerk email: pelletierdm@agr.gc.ca | (204) 983-0581 |
| Blair Cantafio <i>Electronic Information Services</i> | Desktop Publishing Technician email: cantafiob@agr.gc.ca | (204) 983-8473 |



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